bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF HARRISON
HAMILTON COUNTY, OHIO

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2020

One East Campus View Blvd. Suite 300 • Columbus, OH 43235 • (614) 430-0590 • FAX (614) 448-4519
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OHIO AUDITOR OF STATE
KEITH FABER

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

Members of Council
City of Harrison
300 George Street
Harrison, Ohio 45030

We have reviewed the *Independent Auditor's Report* of the City of Harrison, Hamilton County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2020 through December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

June 16, 2022

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CITY OF HARRISON
HAMILTON COUNTY, OHIO

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

City of Harrison
Hamilton County
300 George Street
Harrison, Ohio 45030

To the Members of City Council

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harrison, Hamilton County, Ohio (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Fire Improvement funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2022, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio
May 25, 2022

On The discussion and analysis of the City of Harrison, Ohio's 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 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 the year ended December 31, 2020 include:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent year by $28,504,756.
- The City's total net position increased during the year by $4,275,782, or 18%.
- Unrestricted net position was in a deficit of $4,461,124, primarily attributable to the City's recognition of its proportionate share of net pension and other postemployment benefit (OPEB) liabilities.
- The City's total expenses were $16,777,414, an increase of $6,645,664.
- Program revenues of $10,318,096 reduced the net cost of the City's functions to be financed from the City's general revenues to $6,459,318.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City as a financial whole. 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 whole City, presenting both an aggregated view of the City's finances and a longer-term view of those statements. Fund financial statements provide the next level of detail. For governmental funds, these financial statements tell how services were financed in the short-term as well as the amount of funds available 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, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in net position. This change informs the reader whether the City's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements should take into account non-financial factors that also impact the City's financial well-being. Some of these factors include the City's tax base and the condition of its capital assets. In the Statement of Net Position and the Statement of Activities, the financial information of the City is divided into two kinds of activities:

- Governmental Activities – Most of the City's services are reported here including police and fire protection, parks and recreation, street repair and maintenance, and general government.

- Business-Type Activities – These activities include the water, sewer, storm water, sanitation and water/wastewater deposits operations where the fees charged for these services are based upon the amount of usage and the intent is to recoup operational costs through the user fees.

Reporting the City's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about each major fund. The major funds of the City include the General, Fire Improvement, Capital Improvement, Water and Sewer funds. The City uses many funds to account for a multitude of financial transactions. However, the focus of the fund financial statements is on the City's most significant funds, and therefore only the major funds are presented in separate columns. All other funds are combined into one column for reporting purposes.

<u>Governmental Funds</u>

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

<u>Proprietary Funds</u>

The City maintains one type of proprietary funds; enterprise 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, sewer, storm water, sanitation and water/wastewater deposit management functions. The City charges citizens for the services it provides, with the intent of recouping operating costs.

<u>Fiduciary Funds</u>

The financial activity of custodial funds, for which the City acts as the fiscal agent, is reported separately in the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. This financial activity is excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring the assets reported in these funds are used for their intended purposes. Custodial funds are the only fiduciary fund type used by the City.

The City as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. In the case of the City of Harrison, Ohio, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by a total $28.5 million at December 31, 2020.

Table 1 provides a summary of the City's net position for 2020 compared to 2019:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	*Restated* 2019	2020	*Restated* 2019
Current and other assets	$ 13,924,951	$ 9,965,346	$ 7,488,482	$ 6,843,030	$ 21,413,433	$ 16,808,376
Capital assets	22,609,767	22,376,094	33,296,153	32,974,505	55,905,920	55,350,599
Total assets	36,534,718	32,341,440	40,784,635	39,817,535	77,319,353	72,158,975
Deferred outflows of resources	3,964,142	6,467,743	789,022	1,062,721	4,753,164	7,530,464
Long-term liabilities:						
Net pension liability	12,822,849	16,103,869	1,009,663	1,413,588	13,832,512	17,517,457
Net OPEB liability	2,994,806	2,809,152	797,054	773,046	3,791,860	3,582,198
Other long-term liabilities	7,656,493	7,596,177	17,435,789	18,580,693	25,092,282	26,176,870
Other liabilities	916,329	641,914	2,806,213	2,727,493	3,722,542	3,369,407
Total liabilities	24,390,477	27,151,112	22,048,719	23,494,820	46,439,196	50,645,932
Deferred inflows of resources	6,800,914	4,793,873	327,651	20,660	7,128,565	4,814,533
Net position:						
Net investment in capital assets	15,697,297	15,488,172	14,206,083	12,671,364	29,903,380	28,159,536
Restricted	1,501,897	1,296,211	1,560,603	1,592,308	3,062,500	2,888,519
Unrestricted (deficit)	(7,891,725)	(9,920,185)	3,430,601	3,101,104	(4,461,124)	(6,819,081)
Total net position	$ 9,307,469	$ 6,864,198	$ 19,197,287	$ 17,364,776	$ 28,504,756	$ 24,228,974

The net pension liability (NPL) is reported pursuant to 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.

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 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 Statement No. 68 and GASB Statement No. 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As displayed in Table 1, total net position of the City increased by $4,275,782 from 2019 to 2020. Total assets increased by 7.2%, while total liabilities decreased by 8.3%.

The increase in assets was primarily in cash as the City experienced positive operating results in 2020.

The decrease in liabilities was attributable to a reduction in the City's net pension liability as both the Ohio Public Employees Retirement System and Ohio Police and Fire Pension Retirement System experienced a reduction in net pension liability due to return on investments exceeding expectations.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 72% of total assets. Capital assets include land, construction in progress, land improvements, building and improvements, equipment, vehicles and infrastructure. 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 debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. The deficit balance reported in governmental activities is attributable to the recognition of the City's proportionate share of net pension and OPEB liabilities in accordance with GASB Statement Nos. 68 and 75. If the net pension and OPEB liabilities and related deferrals were excluded, the unrestricted net position for governmental activities would be a positive $6,588,002. As the operation of the state-wide retirement systems are outside the control of the City and varies significantly from year to year based on the performance of investments, it's important to acknowledge the significant impact the recognition of the net pension and OPEB liabilities has on the City's reported net position.

Table 2 shows the changes in the governmental and business-type net position for the year ended December 31, 2020 compared with the prior year.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	*Restated* 2019	2020	*Restated* 2019
Program revenues:						
Charges for services	$ 1,737,823	$ 1,617,273	$ 6,798,780	$ 6,937,327	$ 8,536,603	$ 8,554,600
Operating grants and contributions	1,475,253	915,189	12,196	13,574	1,487,449	928,763
Capital grants and contributions	294,044	644,536	-	-	294,044	644,536
Total program revenues	3,507,120	3,176,998	6,810,976	6,950,901	10,318,096	10,127,899
General revenues:						
Income taxes	4,343,327	3,996,737	-	-	4,343,327	3,996,737
Property and other taxes	4,218,409	4,199,084	-	-	4,218,409	4,199,084
Grants and contributions not restricted to specific programs	493,138	619,151	-	-	493,138	619,151
Investment earnings	15,693	21,029	7,284	36,383	22,977	57,412
Miscellaneous	1,512,751	180,127	144,498	25,516	1,657,249	205,643
Total general revenues	10,583,318	9,016,128	151,782	61,899	10,735,100	9,078,027
Total revenues	14,090,438	12,193,126	6,962,758	7,012,800	21,053,196	19,205,926
Expenses:						
Security of persons and property	7,408,686	981,612	-	-	7,408,686	981,612
Public health services	288,958	241,430	-	-	288,958	241,430
Leisure time activities	305,727	328,975	-	-	305,727	328,975
Community and economic development	396,937	440,643	-	-	396,937	440,643
Transportation	1,345,769	1,366,014	-	-	1,345,769	1,366,014
General government	1,895,459	1,476,767	-	-	1,895,459	1,476,767
Interest on long-term debt	118,075	179,970	-	-	118,075	179,970
Water	-	-	1,811,333	1,820,603	1,811,333	1,820,603
Sewer	-	-	2,575,069	2,697,996	2,575,069	2,697,996
Storm water	-	-	48,322	46,613	48,322	46,613
Water/wastewater deposit	-	-	7,723	6,876	7,723	6,876
Sanitation	-	-	575,356	544,251	575,356	544,251
Total expenses	11,759,611	5,015,411	5,017,803	5,116,339	16,777,414	10,131,750
Excess (deficiency) before transfers	2,330,827	7,177,715	1,944,955	1,896,461	4,275,782	9,074,176
Transfers	112,444	113,044	(112,444)	(113,044)	-	-
Change in net position	2,443,271	7,290,759	1,832,511	1,783,417	4,275,782	9,074,176
Beginning net position	6,864,198	(426,561)	17,364,776	15,581,359	24,228,974	15,154,798
Ending net position	$ 9,307,469	$ 6,864,198	$ 19,197,287	$ 17,364,776	$ 28,504,756	$ 24,228,974

Governmental Activities

Total governmental activities revenue increased by $1,897,312, or 16%. The increase was driven by growth in operating grants, taxes and significant workers comp rebates received. The increase in operating grants was due to an increase in CARES Act funding. The increase in income taxes was due to better local economic conditions.

Total governmental activities expenses increased by $6,744,200, or 134%. The majority of the increase occurred in security of persons and property because of prior year decreases in the City's proportionate share of the Ohio Police & Fire Retirement System's net OPEB liabilities. The System changed its retiree health care benefits from a traditional group insurance plan to a monthly stipend model, significantly reducing the net OPEB liability and recognizing $7,518,075 in *negative* OPEB expenses in the prior year. The financial performance of the state-wide retirement systems can vary significantly between years due to investment market fluctuations, changes in assumptions and differences between actuarial assumptions and actual results, all of which are beyond the control of the City's management.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services and operating and capital grants offsetting those services. The net cost of services identifies the cost of those services supported by income and property taxes revenues and unrestricted intergovernmental revenue.

Table 3
Governmental Activities

	Total Cost of Services 2020	Net Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2019
Security of persons and property	$ 7,408,686	$ 6,346,472	$ 981,612	$ 47,788
Public health services	288,958	80,860	241,430	77,538
Leisure time activities	305,727	228,033	328,975	264,766
Community and economic development	396,937	(38,264)	440,643	27,002
Transportation	1,345,769	457,304	1,366,014	32,907
General government	1,895,459	1,060,011	1,476,767	1,208,442
Interest on long-term debt	118,075	118,075	179,970	179,970
Total cost of services	$ 11,759,611	$ 8,252,491	$ 5,015,411	$ 1,838,413

It should be noted that 30% of the cost of services for governmental activities are derived from program revenues, including charges for services and operating and capital grants. As shown by the total net costs of $8,252,491, the majority of the City's programs are funded by program revenues, primarily due to the significant negative OPEB expenses discussed above. Historically, governmental activities' expenses are primarily funded by general revenues. A significant portion of the total general revenues consists of income and property taxes.

Business-Type Activities

The City's major business-type activities include water and sewer operations. The Water Fund operations experienced growth, with an operating income of $367,643, an increase from the prior year of $246,107. The Sewer Fund had operating income of $2,189,971, a decrease of $131,799. Both funds were able to continue to report operating income due to growth in customers and decreases in shared services costs utilized by these utility funds.

The City's Funds

Information about the City's major governmental funds begins after the Statement of Activities. These funds are reported using the modified accrual basis of accounting. Governmental funds had total revenues of $14.2 million, expenditures of $11.3 million, and net other financing sources of $0.8 million. During 2020, total fund balance of the governmental funds increased by approximately $3,620,000 to a total fund balance at year-end of $7.6 million. While capital assets are included in the statement of net position, expenditures are recognized in the fund statements thereby reducing the amount of resources available for future spending. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City's General Fund experienced an increase in fund balance during 2020 of $3,286,446. The General Fund is the primary fund that finances government services to citizens. Total revenue increased by approximately 6%, due to increases in income tax and workers comp rebates, as previously discussed.

The Fire Improvement Fund increased by $28,719 to reduce its deficit fund balance to $11,443. This is consistent with prior years.

The Capital Improvement Fund is used acquire or construct capital assets for the City. The Fund is primarily funded with hotel taxes and State grants and loans. Fund balance decreased during the year by $168,986. Project expenditures incurred during the year include road work on North Hill Street and Madison and Washington Avenues.

Explanation of the changes in the major enterprise funds of the City follow the same explanations as those provided in the assessment of the business-type activities noted above since enterprise funds are accounted for using full accrual accounting, the same accounting basis used in the City-wide statements.

General Fund Budgeting Highlights

The City's budget is adopted on a fund basis. Before the budget is adopted, Council reviews the budgets of each department within the General Fund and other funds, and then adopts the budget. The legal level of budgetary control is at the object level. During 2020, the City amended its original budgetary amounts several times as certain information became known. Within each departmental budget, the Finance Director may make small line item adjustments within the budget, as long as the total operational and maintenance amount does not exceed their budgetary allotment.

The final budget for estimated revenues was consistent with the original budget, increasing by less than 1%. Actual revenues came in approximately $431,138 lower than budgeted, as anticipated tax collections were below expectations. The final budget for expenditures decreased from the original budget, due to lower than anticipated public safety costs. Due to the City's continuing efforts to monitor and control expenditures, actual budgetary expenditures came in approximately $1 million less than the final budget for 2020.

Capital Assets

At the end of fiscal year 2020, the City had a total of $88.2 million invested in capital assets, less accumulated depreciation of $32.3 million, resulting in total capital assets, net of accumulated depreciation, of $55.9 million. The City continued its efforts to upgrade its capital assets during 2020. The City completed road improvements on North Hill Street, while construction began or continued on Madison and Washington Avenues and sewer line reconstruction on West Road and Short Road.

Table 4 shows 2020 balances compared to those of 2019:

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	$ 3,015,891	$ 3,015,891	$ 485,420	$ 485,420	$ 3,501,311	$ 3,501,311
Construction in progress	67,000	269,936	3,533,382	2,779,513	3,600,382	3,049,449
Land improvements	-	-	-	-	-	-
Buildings and improvements	1,576,977	1,655,717	5,460,349	5,651,981	7,037,326	7,307,698
Equipment	302,943	302,716	1,348,581	1,372,985	1,651,524	1,675,701
Vehicles	1,485,007	1,368,915	551,510	105,344	2,036,517	1,474,259
Infrastructure	16,161,949	15,762,919	21,916,911	22,579,262	38,078,860	38,342,181
Totals	$ 22,609,767	$ 22,376,094	$ 33,296,153	$ 32,974,505	$ 55,905,920	$ 55,350,599

Additional information on the City's capital assets can be found in Note 7 to the basic financial statements.

Debt Administration

At December 31, 2020, the City had a total of $23.9 million of long-term debt obligations compared with $25.0 million reported at December 31, 2019. Table 5 shows outstanding debt obligations of the City at December 31, 2020 compared with 2019:

Table 5

Outstanding Long-term Debt Obligations at Year end

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	$ 2,895,000	$ 3,100,000	$ 4,020,000	$ 4,250,000	$ 6,915,000	$ 7,350,000
Capital Leases	1,274,474	1,086,040	418,828	27,216	1,693,302	1,113,256
OPWC Loans	2,646,184	2,598,110	824,914	938,252	3,471,098	3,536,362
OWDA Loans	-	-	2,738,537	2,943,732	2,738,537	2,943,732
Revenue Bonds	-	-	9,040,000	10,035,000	9,040,000	10,035,000
Total	$ 6,815,658	$ 6,784,150	$ 17,042,279	$ 18,194,200	$ 23,857,937	$ 24,978,350

Of the City's general obligation bonds outstanding at December 31, 2020, $2.9 million are accounted for within the governmental activities and the remaining $4.0 million are reported in the Sewer Fund. Revenue bonds are recorded in the Sewer Fund and are paid with charges for services of that fund.

OPWC loans represent interest-free loans from the State of Ohio and are paid from general revenues of the General Fund and from charges for services in the Sewer and Storm Water Funds. The OWDA loans outstanding at year-end are associated with the City's Water enterprise fund and are paid with the revenue sources of that fund.

During 2020, the City issued $2.5 million in bond anticipation notes to roll over $2.5 million in bond anticipation notes.

See Notes 12, 13 and 14 of the notes to the basic financial statements for more detailed information on the debt obligations of the City.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department at City of Harrison, Ohio, 300 George Street, Harrison, Ohio 45030.

CITY OF HARRISON, OHIO
Statement of Net Position
December 31, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and investments	$ 7,246,335	$ 4,682,213	$ 11,928,548
Cash in segregated accounts	17,339	-	17,339
Receivables:			
Property and other taxes	3,762,629	-	3,762,629
Payment in lieu of taxes	559,398	-	559,398
Income taxes	1,490,472		1,490,472
Accounts	47,264	1,162,084	1,209,348
Intergovernmental	604,621	-	604,621
Prepaid items	188,306	28,596	216,902
Materials and supplies inventory	8,587	54,986	63,573
Restricted cash and investments	-	1,560,603	1,560,603
Non-depreciable capital assets	3,082,891	4,018,802	7,101,693
Depreciable capital assets, net	19,526,876	29,277,351	48,804,227
Total assets	36,534,718	40,784,635	77,319,353
Deferred Outflows of Resources			
Deferred loss on refunding	-	480,591	480,591
Pensions	2,491,151	172,162	2,663,313
OPEB	1,472,991	136,269	1,609,260
Total deferred outflows of resources	3,964,142	789,022	4,753,164
Liabilities			
Accounts payable	183,127	64,568	247,695
Accrued salaries	562,120	113,743	675,863
Intergovernmental payable	149,418	15,175	164,593
Accrued interest payable	21,664	112,727	134,391
Notes payable	-	2,500,000	2,500,000
Long-term liabilities:			
Due within one year	757,765	1,844,008	2,601,773
Due more than one year:			
Net pension liability	12,822,849	1,009,663	13,832,512
Net OPEB liability	2,994,806	797,054	3,791,860
Other long-term amounts due more than one year	6,898,728	15,591,781	22,490,509
Total liabilities	24,390,477	22,048,719	46,439,196
Deferred Inflows of Resources			
Deferred gain on refunding	44,916	-	44,916
Property taxes and payment in lieu of taxes levied for next year	4,129,784	-	4,129,784
Pensions	1,782,623	214,172	1,996,795
OPEB	843,591	113,479	957,070
Total deferred inflows of resources	6,800,914	327,651	7,128,565
Net Position			
Net investment in capital assets	15,697,297	14,206,083	29,903,380
Restricted for:			
Capital projects	729,982	-	729,982
Debt service	-	1,560,603	1,560,603
Streets and highways	162,734	-	162,734
Recreation	565,327	-	565,327
Other purposes	43,854	-	43,854
Unrestricted (deficit)	(7,891,725)	3,430,601	(4,461,124)
Total net position	$ 9,307,469	$ 19,197,287	$ 28,504,756

See accompanying notes.

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CITY OF HARRISON, OHIO
Statement of Activities
Year Ended December 31, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental activities:							
Security of persons and property	$ 7,408,686	$ 968,440	$ 9,544	$ 84,230	$ (6,346,472)	$ -	$ (6,346,472)
Public health services	288,958	28,048	180,050	-	(80,860)	-	(80,860)
Leisure time activities	305,727	70,694	7,000	-	(228,033)	-	(228,033)
Community and economic development	396,937	435,201	-	-	38,264	-	38,264
Transportation	1,345,769	-	678,651	209,814	(457,304)	-	(457,304)
General government	1,895,459	235,440	600,008	-	(1,060,011)	-	(1,060,011)
Interest on long-term debt	118,075	-	-	-	(118,075)	-	(118,075)
Total governmental activities	11,759,611	1,737,823	1,475,253	294,044	(8,252,491)	-	(8,252,491)
Business-type activities:							
Water	1,811,333	2,080,747	12,196	-	-	281,610	281,610
Sewer	2,575,069	4,089,735	-	-	-	1,514,666	1,514,666
Other business-type activities:							
Storm Water	48,322	134,592	-	-	-	86,270	86,270
Water/Wastewater deposit	7,723	24,479	-	-	-	16,756	16,756
Sanitation	575,356	469,227	-	-	-	(106,129)	(106,129)
Total business-type activities	5,017,803	6,798,780	12,196	-	-	1,793,173	1,793,173
Total	$ 16,777,414	$ 8,536,603	$ 1,487,449	$ 294,044	(8,252,491)	1,793,173	(6,459,318)
General revenues and transfers:							
Income taxes levied for general purposes					4,343,327	-	4,343,327
Property taxes levied for:							
General purposes					1,270,143	-	1,270,143
Fire improvements					2,109,211	-	2,109,211
Police pension					76,488	-	76,488
Recreation					49,500	-	49,500
Capital projects					74,779	-	74,779
Payments in lieu of taxes					638,288	-	638,288
Grants and contributions not restricted to specific programs					493,138	-	493,138
Investment earnings					15,693	7,284	22,977
Miscellaneous					1,512,751	144,498	1,657,249
Transfers					112,444	(112,444)	-
Total general revenues and transfers					10,695,762	39,338	10,735,100
Change in net position					2,443,271	1,832,511	4,275,782
Net position beginning of year, *restated*					6,864,198	17,364,776	24,228,974
Net position end of year					$ 9,307,469	$ 19,197,287	$ 28,504,756

See accompanying notes.

CITY OF HARRISON, OHIO
Balance Sheet
Governmental Funds
December 31, 2020

	General	Fire Improvement	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash and investments	$ 4,484,667	$ 187,009	$ 324,676	$ 2,249,983	$ 7,246,335
Cash in segregated accounts	-	-	-	17,339	17,339
Receivables:					
Property and other taxes	1,492,112	2,184,448	7,362	78,707	3,762,629
Payment in lieu of taxes	-	-	-	559,398	559,398
Income taxes	1,490,472	-	-	-	1,490,472
Accounts	-	44,535	-	2,729	47,264
Intergovernmental	189,637	83,356	-	331,628	604,621
Interfund receivable	33,312	-	-	-	33,312
Prepaid items	84,237	77,954	-	26,115	188,306
Materials and supplies inventory	-	-	-	8,587	8,587
Advances to other funds	20,411	-	-	-	20,411
Total assets	$ 7,794,848	$ 2,577,302	$ 332,038	$ 3,274,486	$ 13,978,674
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	$ 75,206	$ 7,875	$ 96,125	$ 3,921	$ 183,127
Accrued salaries	278,244	241,129	-	42,747	562,120
Intergovernmental payable	64,940	71,937	-	12,541	149,418
Advances from other funds	-	-	-	20,411	20,411
Interfund payable	-	-	-	33,312	33,312
Total liabilities	418,390	320,941	96,125	112,932	948,388
Deferred Inflows of Resources					
Property taxes and payment in lieu of taxes levied for next year	1,435,408	2,095,981	-	598,395	4,129,784
Unavailable revenue	874,381	171,823	-	258,413	1,304,617
Total deferred inflows of resources	2,309,789	2,267,804	-	856,808	5,434,401
Fund balances					
Nonspendable	104,648	77,954	-	34,702	217,304
Restricted	-	-	-	1,519,000	1,519,000
Committed	655,826	-	235,913	-	891,739
Assigned	892,970	-	-	751,044	1,644,014
Unassigned	3,413,225	(89,397)	-	-	3,323,828
Total fund balances	5,066,669	(11,443)	235,913	2,304,746	7,595,885
Total liabilities, deferred inflows of resources and fund balances	$ 7,794,848	$ 2,577,302	$ 332,038	$ 3,274,486	$ 13,978,674

See accompanying notes.

CITY OF HARRISON, OHIO
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2020

Total governmental fund balances		$ 7,595,885
Amounts reported for governmental activities in the statement of net position are are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		22,609,767
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.		1,304,617
In the statement of net position, interest is accrued on outstanding bonds and loans, whereas in governmental funds, interest is accrued when due.		(21,664)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	(2,946,896)	
OPWC loan payable	(2,646,184)	
Capital lease payable	(1,274,474)	
Compensated absences payable	(788,939)	(7,656,493)
Governmental funds report the effect of bond refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		(44,916)
The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in governmental funds:		
Deferred outflows - pensions	2,491,151	
Deferred inflows - pensions	(1,782,623)	
Net pension liability	(12,822,849)	
Deferred outflows - OPEB	1,472,991	
Deferred inflows - OPEB	(843,591)	
Net OPEB liability	(2,994,806)	(14,479,727)
Net position of governmental activities		$ 9,307,469

See accompanying notes.

CITY OF HARRISON, OHIO
Statement of Revenues, Expenditures and Changes
in Fund Balances
Governmental Funds
Year Ended December 31, 2020

	General	Fire Improvement	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property and other taxes	$ 1,263,022	$ 2,096,432	$ 74,779	$ 125,462	$ 3,559,695
Income taxes	4,507,579	-	-	-	4,507,579
Payment in lieu of taxes	-	-	-	601,737	601,737
Intergovernmental	1,237,331	245,629	209,814	1,506,724	3,199,498
Charges for services	573	954,106	-	2,056	956,735
Fines, costs and forfeitures	124,383	-	-	8,260	132,643
Licenses, permits and inspections	538,326	-	-	-	538,326
Interest	15,693	-	-	5	15,698
Contributions	12,378	538	-	31,153	44,069
Other	370,475	48,929	19,244	184,474	623,122
Total revenues	8,069,760	3,345,634	303,837	2,459,871	14,179,102
Expenditures					
Current:					
Security of persons and property	2,523,800	3,512,038	-	85,475	6,121,313
Public health services	-	-	-	282,282	282,282
Leisure time activities	38,107	-	-	137,524	175,631
Community and economic development	327,520	-	-	10,870	338,390
Transportation	-	-	-	820,080	820,080
General government	714,446	-	-	887,233	1,601,679
Capital outlay	233,646	240,064	602,357	168,234	1,244,301
Debt Service:					
Principal retirement	109,988	176,074	149,371	201,696	637,129
Interest and fiscal charges	4,274	23,974	12,163	78,778	119,189
Total expenditures	3,951,781	3,952,150	763,891	2,672,172	11,339,994
Excess (deficiency) of revenues over (under) expenditures	4,117,979	(606,516)	(460,054)	(212,301)	2,839,108
Other financing sources (uses)					
Transfers in	80,000	463,887	62,444	597,821	1,204,152
Transfers out	(1,021,708)	(50,000)	-	(20,000)	(1,091,708)
Issuance of OPWC loans	-	-	228,624	-	228,624
Inception of capital leases	110,175	221,348	-	108,490	440,013
Total other financing sources (uses)	(831,533)	635,235	291,068	686,311	781,081
Net change in fund balances	3,286,446	28,719	(168,986)	474,010	3,620,189
Fund balance, beginning of year	1,780,223	(40,162)	404,899	1,830,736	3,975,696
Fund balance, end of year	$ 5,066,669	$ (11,443)	$ 235,913	$ 2,304,746	$ 7,595,885

See accompanying notes.

CITY OF HARRISON, OHIO
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended December 31, 2020

Net change in fund balances - total governmental funds	$	3,620,189
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
Capital asset additions		1,113,677
Depreciation expense		(777,321)
The statement of activities reports losses arising from the disposal of capital assets.		(102,683)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, rather these revenues are unavailable.		(58,537)
Some expenses reported in the statement of activities do not require the use current financial resources and therefore are not reported as expenditures in governmental funds:		
Compensated absences		(32,560)
Interest on long-term debt		(5,846)
Amortization of bond premiums		3,752
Repayment of long-term obligations is reported as an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position. In the current year, theses amounts consisted of general obligation bonds, OPWC loans, and capital leases.		637,129
Loan proceeds and inception of capital leases are recorded as other financing sources in the governmental funds, but are reported as increases of liabilities on the statement of net position.		(668,637)
Refunding of bonds is recorded as other financing sources and uses in the governmental funds, but are reported as increases or decreases of liabilities on the statement of net position.		3,208
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:		
Pensions		1,044,764
OPEB		26,241
Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension and OPEB expense in the statement of activities:		
Pensions		(1,959,013)
OPEB		(401,092)
Change in net position of governmental activities	$	2,443,271

See accompanying notes.

CITY OF HARRISON, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budget (Non-GAAP) Basis

General Fund

Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues				
Property and other taxes	$ 1,368,280	$ 1,381,783	1,263,022	$ (118,761)
Income taxes	4,272,715	4,314,881	4,129,678	(185,203)
Intergovernmental	1,384,637	1,398,302	1,353,271	(45,031)
Charges for services	577	583	573	(10)
Fines, costs and forfeitures	139,169	140,543	138,240	(2,303)
Licenses, permits and inspections	565,456	571,037	538,326	(32,711)
Interest	14,371	14,513	15,693	1,180
Contributions	1,813	1,831	1,800	(31)
Other	884,826	888,492	840,224	(48,268)
Total revenues	8,631,844	8,711,965	8,280,827	(431,138)
Expenditures				
Current:				
General government	1,696,663	1,786,276	1,410,164	376,112
Security of persons and property	3,114,908	2,838,889	2,534,244	304,645
Community and economic development	365,367	364,463	342,516	21,947
Leisure time activity	63,673	39,513	30,118	9,395
Debt service	356,179	356,179	76,179	280,000
Total expenditures	5,596,790	5,385,320	4,393,221	992,099
Excess of revenues over expenditures	3,035,054	3,326,645	3,887,606	560,961
Other financing uses				
Transfers out	(2,022,140)	(2,022,140)	(1,097,708)	924,432
Net change in fund balance	1,012,914	1,304,505	2,789,898	$ 1,485,393
Fund balance, beginning of year	484,562	484,562	484,562	
Prior year encumbrances appropriated	101,983	101,983	101,983	
Fund balance, end of year	$ 1,599,459	$ 1,891,050	$ 3,376,443	

See accompanying notes.

CITY OF HARRISON, OHIO
Statement of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Budget (Non-GAAP) Basis
Fire Improvement Fund - Major Special Revenue Fund
Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues				
Property and other taxes	$ 1,996,581	$ 2,096,262	$ 2,096,432	$ 170
Intergovernmental	233,930	245,609	245,629	20
Charges for services	874,445	918,102	917,388	(714)
Contributions	512	538	538	-
Other	104,599	109,821	107,043	(2,778)
Total revenues	3,210,067	3,370,332	3,367,030	(3,302)
Expenditures				
Current:				
Security of persons and property				
Fire Department				
Personal services	3,941,663	3,497,549	3,161,249	336,300
Contractual services	401,128	332,885	339,137	(6,252)
Operations/maintenance	192,335	204,171	193,551	10,620
Capital outlay	21,829	116,059	102,946	13,113
Total expenditures	4,556,955	4,150,664	3,796,883	353,781
Excess of expenditures over revenues	(1,346,888)	(780,332)	(429,853)	350,479
Other financing sources (uses)				
Transfers in	1,358,819	1,358,819	463,887	(894,932)
Transfers out	(50,000)	(50,000)	(50,000)	-
Total other financing sources (uses)	1,308,819	1,308,819	413,887	(894,932)
Net change in fund balance	(38,069)	528,487	(15,966)	$ (544,453)
Fund balance, beginning of year	-	-	-	
Prior year encumbrances appropriated	41,217	41,217	41,217	
Fund balance, end of year	$ 3,148	$ 569,704	$ 25,251	

See accompanying notes.

CITY OF HARRISON, OHIO
Statement of Net Position
Proprietary Funds
December 31, 2020

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Non-major	Total
Assets				
Current assets:				
Equity in pooled cash and investments	$ 1,064,855	$ 3,243,126	$ 374,232	$ 4,682,213
Receivables:				
Accounts	365,952	670,935	125,197	1,162,084
Prepaid items	10,958	17,638	-	28,596
Materials and supplies inventory	49,054	5,932	-	54,986
Total current assets	1,490,819	3,937,631	499,429	5,927,879
Noncurrent assets:				
Restricted cash and investments	-	1,560,603	-	1,560,603
Advances to other funds	-	17,178	-	17,178
Non-depreciable capital assets	1,464,798	2,554,004	-	4,018,802
Depreciable capital assets, net	10,777,450	16,774,396	1,725,505	29,277,351
Total noncurrent assets	12,242,248	20,906,181	1,725,505	34,873,934
Total assets	13,733,067	24,843,812	2,224,934	40,801,813
Deferred outflows of resources				
Deferred charge on refunding	-	480,591	-	480,591
Pensions	77,518	94,644	-	172,162
OPEB	63,592	72,677	-	136,269
Total deferred outflows of resources	141,110	647,912	-	789,022
Liabilities				
Current liabilities:				
Accounts payable	60,587	3,981	-	64,568
Accrued salaries	21,290	92,453	-	113,743
Intergovernmental payable	4,820	10,355	-	15,175
Accrued interest payable	38,286	74,441	-	112,727
Advances from other funds	-	-	17,178	17,178
Notes payable	-	2,500,000	-	2,500,000
Compensated absences payable, current portion of	3,613	10,908	-	14,521
Capital lease payable, current portion of	9,386	98,587	-	107,973
Revenue bonds payable, current portion of	-	1,020,000	-	1,020,000
General obligation bonds payable, current portion of	-	255,000	-	255,000
OPWC loans payable, current portion of	-	92,308	10,515	102,823
OWDA loans payable, current portion of	343,691	-	-	343,691
Total current liabilities	481,673	4,158,033	27,693	4,667,399
Long-term liabilities:				
Capital lease payable, net of current portion	1,809	309,046	-	310,855
Revenue bonds payable, net of current portion	-	8,139,791	-	8,139,791
General obligation bonds payable, net of current portion	-	3,772,413	-	3,772,413
OPWC loans payable, net of current portion	-	553,851	168,240	722,091
OWDA loans payable, net of current portion	2,394,846	-	-	2,394,846
Compensated absences payable, net of current portion	75,955	175,830	-	251,785
Net pension liability	471,908	537,755	-	1,009,663
Net OPEB liability	372,536	424,518	-	797,054
Total long-term liabilities	3,317,054	13,913,204	168,240	17,398,498
Total liabilities	3,798,727	18,071,237	195,933	22,065,897
Deferred inflows of resources				
Pensions	100,102	114,070	-	214,172
OPEB	53,039	60,440	-	113,479
Total deferred inflows of resources	153,141	174,510	-	327,651
Net Position				
Net investment in capital assets	9,492,516	3,166,817	1,546,750	14,206,083
Restricted for:				
Debt service	-	1,560,603	-	1,560,603
Unrestricted	429,793	2,518,557	482,251	3,430,601
Total net position	$ 9,922,309	$ 7,245,977	$ 2,029,001	$ 19,197,287

See accompanying notes.

CITY OF HARRISON, OHIO
Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Non-major	Total
Operating revenues				
Charges for services	$ 2,080,747	$ 4,089,735	$ 628,298	$ 6,798,780
Other	6,101	107,156	6,110	119,367
Total operating revenues	2,086,848	4,196,891	634,408	6,918,147
Operating expenses				
Personnel services	515,602	770,547	-	1,286,149
Contractual services	300,031	394,947	575,356	1,270,334
Supplies and materials	301,093	178,305	-	479,398
Other	168,546	168,545	7,723	344,814
Depreciation	433,933	494,576	48,322	976,831
Total operating expenses	1,719,205	2,006,920	631,401	4,357,526
Operating income	367,643	2,189,971	3,007	2,560,621
Non-operating revenues (expenses):				
Intergovernmental revenue	12,196	-	-	12,196
Interest revenue	-	7,284	-	7,284
Interest expense and fiscal charges	(92,128)	(568,149)	-	(660,277)
Other	-	25,131	-	25,131
Total non-operating revenues (expenses)	(79,932)	(535,734)	-	(615,666)
Income before transfers	287,711	1,654,237	3,007	1,944,955
Transfers out	(25,000)	(58,975)	(28,469)	(112,444)
Change in net position	262,711	1,595,262	(25,462)	1,832,511
Net position, beginning of year, *restated*	9,659,598	5,650,715	2,054,463	17,364,776
Net position, end of year	$ 9,922,309	$ 7,245,977	$ 2,029,001	$ 19,197,287

See accompanying notes.

CITY OF HARRISON, OHIO
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Non-major	Total
Cash flows from operating activities				
Cash received from customers	$ 1,898,001	$ 3,863,422	$ 580,970	$ 6,342,393
Cash payments for employee services and benefits	(438,306)	(635,111)	-	(1,073,417)
Cash payments to suppliers for goods and services	(609,059)	(580,116)	(575,356)	(1,764,531)
Cash payments for other operating expenses	(168,546)	(168,545)	(7,723)	(344,814)
Cash received from other operating revenue	6,159	107,156	6,110	119,425
Net cash from operating activities	688,249	2,586,806	4,001	3,279,056
Cash flows from noncapital financing activities				
Transfers	(25,000)	(25,000)	(28,469)	(78,469)
Cash flows from capital and related financing activities				
Acquisition of capital assets	(406,098)	(225,498)	-	(631,596)
Proceeds from notes payable	-	2,500,000	-	2,500,000
Principal retirement	(348,413)	(3,934,816)	(21,030)	(4,304,259)
Interest paid	(84,840)	(520,775)	-	(605,615)
Net cash from capital and related financing activities	(839,351)	(2,181,089)	(21,030)	(3,041,470)
Cash flows from investing activities				
Net change	(176,102)	388,001	(45,498)	166,401
Cash and pooled investments beginning of year, *restated*	1,240,957	4,415,728	419,730	6,076,415
Cash and pooled investments end of year	$ 1,064,855	$ 4,803,729	$ 374,232	$ 6,242,816
Reconciliation of operating income to net cash from operating activities:				
Operating income	$ 367,643	$ 2,189,971	$ 3,007	$ 2,560,621
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	433,933	494,576	48,322	976,831
Changes in deferred outflows - pensions and OPEB	105,383	109,073	-	214,456
Changes in deferred inflows - pensions and OPEB	143,412	163,579	-	306,991
Changes in assets and liabilities:				
Receivables	(182,373)	(225,974)	(47,328)	(455,675)
Prepaid items	800	4,342	-	5,142
Materials and supplies inventory	(24,840)	(3,678)	-	(28,518)
Accounts payable	16,906	(3,189)	-	13,717
Accrued salaries	(1,864)	38,803	-	36,939
Intergovernmental payable	(2,325)	2,206	-	(119)
Compensated absences payable	16,815	11,773	-	28,588
Net pension liability	(193,750)	(210,175)	-	(403,925)
Net OPEB liability	8,509	15,499	-	24,008
Net cash from operating activities	$ 688,249	$ 2,586,806	$ 4,001	$ 3,279,056
Schedule of non-cash capital and related financing activities:				
Capital assets acquired through loan	$ 127,197	504,111	-	
Capital assets acquired through accounts payable	$ 35,575	-	-	

See accompanying notes.

CITY OF HARRISON, OHIO

Statement of Fiduciary Net Position
Custodial Funds
December 31, 2020

Assets		
Equity in pooled cash and investments	$	5,984
Receivables:		
Income taxes		26,882
Total assets		32,866
Liabilities		
Intergovernmental payable		32,866
Net Position		
Restricted for other governments and organizations	$	-

See accompanying notes.

CITY OF HARRISON, OHIO

Statement of Changes in Fiduciary Net Position
Custodial Funds
Year Ended December 31, 2020

Additions	
Collections for other governments and organizations:	
Income taxes	$ 132,574
Fines, costs and forfeitures	43,672
Total additions	176,246
Deductions	
Administrative expenses	2,742
Distributions of income taxes	129,832
Distributions to state, local governments and others	43,672
Total deductions	176,246
Change in fiduciary net position	-
Net position, beginning of year	-
Net position, end of year	$ -

See accompanying notes.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Harrison are prepared in conformity with generally accepted accounting principles (GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies used in the preparation of these financial statements are summarized below.

A. Reporting Entity

The City of Harrison, Ohio (the "City") is a charter city and operates under the Mayor-Council form of government. A seven-member council is elected and the council selects one of its members to serve as mayor.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are fairly presented. The primary government of the City consists of all funds and departments that comprise the legal entity of the City. They provide various services including police, fire, court, park and recreation, water sewage and sanitary services, street and sewer maintenance

Included as part of the City's primary government in the determination of the City's reporting entity is the Harrison Mayor's Court (the "Court"). Although the Court's territorial jurisdiction extends beyond the boundaries of the City, the Court's operations are not legally separate from the City. Monies held by the Court in a fiduciary capacity are included in a custodial fund in the accompanying basic financial statements.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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 City has no component units.

Jointly Governed Organization

Harrison Township-City of Harrison Joint Economic Development District
In an effort to facilitate economic development and to create and preserve jobs, the City has entered into a contract with Harrison Township to create a Joint Economic Development District (JEDD). In accordance with State law, the District's Board of Trustees levied a 1% income tax. The proceeds of that tax are allocated, in accordance with the contract, to the City and the Township. The City and the Township will utilize these JEDD revenues, in part, to construct infrastructure and improvement in the District. The City received $103,491 in revenues through the JEDD in 2020.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

B. Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. The statements distinguish between those activities that are governmental in nature, which are normally supported by taxes and intergovernmental revenues; and business-type activities, which rely to a significant extent upon fees and charges for support. Interfund activities are generally eliminated to avoid the "doubling-up" effect on revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of expenses with program revenues identifies the extent to which each governmental function or business-type segment is self-financing or relies upon general revenues of the City.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. All other funds are aggregated and reported as non-major governmental or non-major proprietary funds.

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of 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.

Governmental funds are those through which most governmental functions typically are financed. The following are the City's major governmental funds:

General Fund - The General Fund is used 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 and the Charter of the City.

Fire Improvement Fund – This fund accounts for voted property taxes and contracts that relate to the operation of the fire department.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

B. Basis of Presentation - *continued*

Capital Improvement Fund – This fund accounts for hotel taxes, grants and loans restricted or committed to purchase equipment and construct capital assets.

Proprietary funds are used to account for the City's ongoing activities that are similar to those found in the private sector where the intent of the governing body is that the cost of providing goods and services to the general public be financed or recovered primarily through user charges. Proprietary funds are either classified as enterprise or internal service. The City does not have any internal service funds.

Water Fund - Accounts for the provision of water service to the City and surrounding areas.

Sewer Fund - Accounts for the provision of sanitary sewer service to the City and surrounding areas.

The other enterprise funds of the City are used to account for storm water, water/wastewater deposits and sanitation.

Fiduciary Funds. The City's only fiduciary funds are custodial funds. Custodial funds are used to account for assets held in a fiduciary capacity on behalf of others. The City's custodial funds account for monies held by the Mayor's Court in a fiduciary capacity and to account for the administering and collection of income taxes related to the Joint Economic Development District.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Fund Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred outflows and inflows of resources 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 current financial resources. Since governmental funds financial statements use a different measurement focus and basis of accounting than the government-wide statements, governmental funds financial statements include reconciliations to the government-wide statements.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

C. Measurement Focus - *continued*

All governmental fund types are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The available period for the City is sixty days after year-end. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position.

The accrual basis of accounting is utilized by the proprietary fund types. Under this method, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred.

Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Revenues – Exchange and Non-Exchange Transactions

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include municipal income taxes, property taxes, payments in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from municipal income taxes is recognized in the period in which the income is earned. Revenue from property taxes and payments in lieu of taxes are recognized in the fiscal year for which the taxes are levied. 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 for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest earnings, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, grants, and municipal income tax.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

C. Measurement Focus - *continued*

Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflow of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. For the City, deferred outflows of resources are reported on the government-wide and proprietary statements of financial position for deferred charge on refunding, pensions and other postemployment benefits other than pensions (OPEB). A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pensions and OPEB are explained in Notes 8 and 9.

Deferred Inflows of Resources

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, unavailable revenue, pensions and OPEB. Receivables for property taxes and payments in lieu of taxes represent amounts that are measurable as of December 31, 2020, but are intended to finance the subsequent year's operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (sixty days after year-end). Deferred inflows of resources related to pensions and OPEB are explained in Notes 8 and 9.

Since governmental funds' financial statements use a different measurement focus and basis of accounting than the government-wide financial statements, governmental funds' financial statements include reconciliations to the government-wide financial statements.

D. Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. During 2020, investments were limited to STAR Ohio and U.S. Government money market mutual funds.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2020. 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, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Investments in STAR Ohio are valued at the net asset value per share provided by STAR Ohio on an amortized cost basis at December 31, 2020, which approximates fair value.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

D. Cash and Investments - *continued*

For 2020, there were no limitations or restrictions on any participants withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $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.

Following Ohio Statutes, the Council has, by resolution, specified the funds to receive an allocation of interest earnings. During 2020, interest revenue credited to the general fund amounted to $15,693, which includes $9,756 assigned from other funds.

The City has segregated bank accounts for the Mayor’s court and senior center deposits which are held separate from the City’s central bank account. The depository accounts are presented on the financial statements as “cash in segregated accounts” since they are not required to be deposited in the City treasury.

At year end, the City had $1,560,603 for amounts held by a trustee, as designated by bond indenture for debt repayment. These amounts are reported as “restricted cash and investments” in the financial statements. An analysis of the City’s deposits and investments at year end is provided in Note 3.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

F. Supplies Inventory

Inventories are presented at cost on first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies.

G. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, infrastructure, furniture and equipment, vehicles and construction in progress, are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets utilized by governmental activities 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

G. Capital Assets - *continued*

The City defines capital assets as those with an individual cost of more than $5,000 and an estimated useful life in excess of one year. All capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their acquisition value on the date received. Infrastructure includes streets, storm sewers, water lines and sewer lines. Interest on constructed capital assets is capitalized for business-type activities. When capital assets are purchased, they are capitalized and depreciated in the government-wide statements and the proprietary fund statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

All capital assets except for land and construction in progress are depreciated. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Infrastructure	50 years
Buildings	50 years
Furniture and equipment	5-20 years
Vehicles	8 years
Land improvements	20 years

H. Restricted Assets

Certain cash and investments are classified as restricted cash on the financial statements because these funds are restricted for sewer improvements or being held by a trustee as designated by the bond indenture restricted for debt service.

I. Accrued Liabilities and Long-Term Obligations

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

J. Interfund Balances

During the course of operations, transactions occur between individual funds for goods provided or services rendered. On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". Long-term interfund loans (advances) are classified as "advances to other funds" and "advances from other funds". These amounts are eliminated in the governmental columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

K. Pensions and OPEB

For purposes of measuring the net pension and OPEB liabilities and their related deferrals and expenses, information about the fiduciary net position of the retirement systems and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The retirement systems report investments at fair value.

L. Compensated Absences

The City follows the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave termination benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those employees for whom it is probable that they will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end.

Vested vacation and sick leave is recorded as an expense in the government-wide statements for the period in which the leave was earned. For governmental funds, a liability is recorded for compensated absences only if they have matured, for example, as a result of employee resignations and retirements.

Payment of vacation and sick leave recorded in the government-wide financial statements is dependent upon many factors; therefore, timing of future payments is not readily determinable. Management believes that sufficient resources will be available when payment is due.

M. Accounting Estimates

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

N. Grants and Other Intergovernmental Revenues

Grants made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

O. Fund Balances

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 a spendable form, or legally or contractually required to be maintained intact. The "not in a spendable form" criterion includes items that are not expected to be converted into cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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

Assigned **–** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the City Council. The City Council has authorized the Finance Director to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

O. Fund Balances - *continued*

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, or 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.

P. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when the limitations imposed on its use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments. At December 31, 2020, none of the City's net position was restricted by enabling legislation.

The net position restricted for other purposes result from special revenue funds and the restriction on their net position use. When both restricted and non-restricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources, as they are needed.

Q. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than fiduciary funds, are legally required to be budgeted and appropriated.

The legal level of budgetary control (the level at which transfers of budget amounts cannot be made without legislative approval) is at the object level. Budgetary modifications may only be made by ordinance of the City Council. The City legally adopted supplemental appropriations during 2020.

Tax Budget

By July 15, the Mayor submits an annual tax 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Q. Budgetary Process - *continued*

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all of the previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources that states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation ordinance. On or before January 31, the certificate of estimated resources is amended to include any unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates.

Appropriations

The annual appropriation ordinance must be passed no later than April 1 of each year for the period January 1 to December 31. A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The appropriation ordinance fixes spending authority at the object level. 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. Administrative control is maintained through the establishment of more detailed line-item budgets. The amounts on the budgetary schedules reflect the original and final appropriation amounts, including all amendments and modifications legally enacted by Council.

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. On the GAAP basis, encumbrances outstanding at year-end are reported as restricted, committed, or assigned fund balance for governmental funds since they do not constitute expenditures or liabilities.

Lapsing of Appropriations

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

NOTE 2—BUDGETARY BASIS OF ACCOUNTING

While the City reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, requires accounting for certain transactions according to cash receipts, disbursements, appropriations, and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget (Non-GAAP) Basis, are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget 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. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than classified as a portion of fund balance (GAAP basis).

4. Advances in and advances out are operating transactions (budget basis) rather than as an interfund receivables/payables (GAAP basis).

5. Certain funds accounted for as separate funds internally with legally adopted budgets (budget basis) do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

The adjustments necessary to convert the results of operations for the year ended December 31, 2020, on the GAAP basis to the budget basis are as follows:

	General Fund	Fire Improvement
Net change in fund balance - ***GAAP Basis***	$ 3,286,446	$ 28,719
Funds reclassified	1,712	-
Net adjustment for revenue accruals	223,345	21,396
Net adjustment for expenditure accruals	(227,651)	210,868
Encumbrances	(227,779)	(55,601)
Other sources (uses)	(266,175)	(221,348)
Net change in fund balance - ***Budget Basis***	$ 2,789,898	$ (15,966)

NOTE 3—DEPOSITS AND INVESTMENTS

The City maintains a cash deposit and investment pool for all funds. Each fund's share of cash deposits and investments is shown separately on the statement of net position and balance sheets as "Equity in Pooled Cash and Investments".

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys, which are not needed for immediate, use but which will be needed before the end of the current period of designation of depositories. Interim monies may be deposited or invested in the following securities:

(1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or 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) Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily and that the term of the agreement must not exceed thirty days;

(4) Bonds and other obligations of the State of Ohio;

(5) No-load money market funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreement secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

(6) The State Treasury Assets Reserve of Ohio (STAR Ohio);

(7) Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and

NOTE 3—DEPOSITS AND INVESTMENTS – *continued*

(8) Under limited circumstance, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the 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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

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

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution, unless the financial institution participates in the Ohio Treasurer of State's Ohio Collateral Pool System, which reduces the amount to 102% of the deposits being secured. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At December 31, 2020, the carrying amount of all City deposits was $11,459,001. $11,045,345 of the City's bank balance of $12,080,913 was exposed to custodial risk as discussed above, while $1,035,568 was covered by FDIC.

NOTE 3—DEPOSITS AND INVESTMENTS – ***continued***

Investments: The City's investments at December 31, 2020 are summarized as follows:

Investment Type		Fair Value	Maturity 6 months or less
STAR Ohio	$	10,515	10,515
Money Market		2,042,958	2,042,958
	$	2,053,473	2,053,473

Credit Risk: The City's investment in STAR Ohio and the money markets have an AAAm credit rating. The City's investment policy limits its investments to those authorized by State statute.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a failure of a counter party, 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 City has no investment policy dealing with investment custodial credit risk beyond the requirement in the State statute that prohibits payments for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee. The City's investments were not subject to custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single user. The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2020:

Investment Type		Fair Value	Percent of Total
STAR Ohio	$	10,515	0.5%
Money Market		2,042,958	99.5%
	$	2,053,473	100.0%

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the City manages its exposure to declines in fair value by limiting the maximum maturity of investments in its portfolio to five years. Due to the money market and STAR Ohio having average maturities of 21 and 45 days, respectively, at December 31, 2020, they were presented as investments with a maturity of six months or less.

Fair Value Measurement: In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City categorizes its fair value measurements within the fair value hierarchy. 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 City's investments in money market and STAR Ohio funds are excluded from fair value measurement requirements under GASB Statement No. 72, and instead are reported at amortized cost.

NOTE 4—PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2020 for real and public utility property taxes represents collections of 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 percent of appraised market value. 2020 real property taxes are collected in and intended to finance 2021.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property current is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2020 public utility property taxes, which became a lien December 31, 2019 are levied after October 1, 2020, and are collected in 2021 with real property taxes.

The Hamilton County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Harrison. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2020 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2020 operations and the collection of the delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is reported as deferred inflows of resources.

NOTE 5—INCOME TAX

The City levies a municipal income tax of one percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100% of the City's current tax rate. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

NOTE 6—INTERFUND ACTIVITY

Interfund activity as reported in the fund financial statements includes transfers, advances to/from funds and interfund receivable/payable. The following represent the transfers during 2020:

	Transfers In	Transfers Out
General Fund	$ 80,000	$ 1,021,708
Fire Improvement	463,887	50,000
Capital Improvement	62,444	-
Nonmajor governmental funds	597,821	20,000
Water Fund	-	25,000
Sewer Fund	-	58,975
Nonmajor enterprise fund	-	28,469
	$ 1,204,152	$ 1,204,152

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and to provide additional resources for current operations, debt service or capital improvements. Transfers into the General Fund were due to the establishment of a severance reserve fund, included with the General Fund in accordance with GAAP, that was funded by transfers from other governmental and enterprise funds. Transfers between governmental funds are eliminated for reporting on the statement of activities.

The following represent the outstanding advances to/from other funds as of December 31, 2020:

	Advances to Other Funds	Advances from Other Funds
General Fund	$ 20,411	$ -
Nonmajor governmental funds	-	20,411
Sewer	17,178	-
Nonmajor enterprise funds	-	17,178
	$ 37,589	$ 37,589

Advances to/from other funds are long-term interfund loans that are not expected to be repaid in the subsequent year. Advances to/from other funds between governmental funds are eliminated for reporting on the statement of net position. Advances to/from other funds between governmental activities and business-type activities are reported as a component of the “internal balance” reported on the statement of net position.

At December 31, 2020, the General Fund provided interfund loans of $33,312 to Nonmajor Governmental Funds to provide operating capital.

NOTE 7—CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 3,015,891	$ -	$ -	$ 3,015,891
Construction in progress	269,936	601,563	(804,499)	67,000
Total capital assets not being depreciated	3,285,827	601,563	(804,499)	3,082,891
Capital assets being depreciated:				
Land improvements	804,817	-	-	804,817
Buildings and improvements	3,990,038	-	-	3,990,038
Furniture and equipment	805,015	72,101	-	877,116
Vehicles	2,732,194	440,013	(271,966)	2,900,241
Infrastructure	18,682,264	804,499	-	19,486,763
Total capital assets being depreciated	27,014,328	1,316,613	(271,966)	28,058,975
Less accumulated depreciation:				
Land improvements	(804,817)	-	-	(804,817)
Buildings and improvements	(2,334,321)	(78,740)	-	(2,413,061)
Furniture and equipment	(502,299)	(71,874)	-	(574,173)
Vehicles	(1,363,279)	(221,238)	169,283	(1,415,234)
Infrastructure	(2,919,345)	(405,469)	-	(3,324,814)
Total accumulated depreciation	(7,924,061)	(777,321)	169,283	(8,532,099)
Total capital assets being depreciated, net	19,090,267	539,292	(102,683)	19,526,876
Capital assets, net	$ 22,376,094	$ 1,140,855	$ (907,182)	$ 22,609,767

Depreciation expense was charged to governmental functions as follows:

General government	$ 94,439
Security of persons and property	306,978
Transportation	346,730
Leisure time activities	29,174
Total depreciation expense	$ 777,321

NOTE 7—CAPITAL ASSETS – *continued*

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets not being depreciated:				
Land	$ 485,420	$ -	$ -	$ 485,420
Construction in progress	2,779,513	753,869	-	3,533,382
Total capital assets not being depreciated	3,264,933	753,869	-	4,018,802
Capital assets being depreciated:				
Land improvements	24,474	-	-	24,474
Buildings and improvements	10,180,102	-	-	10,180,102
Furniture and equipment	7,786,720	40,499	-	7,827,219
Vehicles	568,314	504,111	-	1,072,425
Infrastructure	33,945,290	-	-	33,945,290
Total capital assets being depreciated	52,504,900	544,610	-	53,049,510
Less accumulated depreciation:				
Land improvements	(24,474)	-	-	(24,474)
Buildings and improvements	(4,528,121)	(191,632)	-	(4,719,753)
Furniture and equipment	(6,413,735)	(64,903)	-	(6,478,638)
Vehicles	(462,970)	(57,945)	-	(520,915)
Infrastructure	(11,366,028)	(662,351)	-	(12,028,379)
Total accumulated depreciation	(22,795,328)	(976,831)	-	(23,772,159)
Total capital assets being depreciated, net	29,709,572	(432,221)	-	29,277,351
Capital assets, net	$ 32,974,505	$ 321,648	$ -	$ 33,296,153

Depreciation expense was charged to segments as follows:

Major enterprise funds	
Water	$ 433,933
Sewer	494,576
Nonmajor enterprise fund	
Storm water	48,322
Total depreciation expense	$ 976,831

NOTE 8—DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

NOTE 8—DEFINED BENEFIT PENSION PLANS – *continued*

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

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to net pension liability would be effective when the changes are legally enforceable.

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

Ohio Public Employees Retirement System (OPERS)

Plan Description. City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g., City employees) may elect the Member-Directed Plan and the Combined Plan, the majority of employee members are in OPERS' Traditional Plan; therefore, the following disclosures focus on the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC). 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 Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642, or by calling 800-222-7377.

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

NOTE 8—DEFINED BENEFIT PENSION PLANS – *continued*

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
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	**Formula:** 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30	**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

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

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

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

Funding Policy. The ORC provides statutory authority for member and employer contributions. For 2020, member contribution rates were 10% of salary and employer contribution rates were 14%. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $278,621 for 2020. Of this amount, $44,194 is reported as an intergovernmental payable.

Ohio Police & Fire Pension Fund (OP&F)

Plan Description. City full-time police and firefighters participate in the Ohio Police & 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 (ORC). OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, OH 43215-5164.

NOTE 8—DEFINED BENEFIT PENSION PLANS – *continued*

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% for each of the first 20 years of service credit, 2.0% for each of the next five years of service credit and 1.5% for each year of service credit in excess of 25 years. The maximum pension of 72% of the allowable average annual salary is paid after 33 years of service credit.

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

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

Funding Policy. The ORC provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
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	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $860,379 for 2020. Of this amount, $120,398 is reported as an intergovernmental payable.

NOTE 8—DEFINED BENEFIT PENSION PLANS – *continued*

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The net pension liability for OPERS was measured as of December 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 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 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:

	OPERS	OP&F	Total
Proportionate Share of Net Pension Liability	$ 2,743,650	$ 11,088,862	$ 13,832,512
Proportion of Net Pension Liability	0.01388%	0.164608%	
Change in Proportion	0.00023%	-0.004183%	
Pension Expense	$ 520,457	$ 1,596,027	$ 2,116,484

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

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ -	$ 419,749	$ 419,749
Change in assumptions	146,543	272,202	418,745
Change in City's proportionate share and differences in employer contributions	65,211	620,608	685,819
City contributions subsequent to the measurement date	278,621	860,379	1,139,000
	$ 490,375	$ 2,172,938	$ 2,663,313
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 34,690	$ 571,898	$ 606,588
Net differences between projected and actual investment earnings	547,298	535,682	1,082,980
Change in City's proportionate share and differences in employer contributions	-	307,227	307,227
	$ 581,988	$ 1,414,807	$ 1,996,795

NOTE 8—DEFINED BENEFIT PENSION PLANS – *continued*

$1,139,000 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2021	$ (12,677)	$ 42,744	$ 30,067
2022	(162,907)	161,946	(961)
2023	22,663	268,332	290,995
2024	(217,313)	(510,007)	(727,320)
2025	-	(65,263)	(65,263)
	$ (370,234)	$ (102,248)	$ (472,482)

Ohio Public Employees Retirement System (OPERS)

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Wage inflation	3.25%
Future salary increases, Including inflation	3.25% to 10.75%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3% simple; Post 1/7/2013 retirees: 1.4% simple through 2020, then 2.15% simple
Investment rate of return	7.20%
Actuarial cost method	Individual entry age
Mortality tables	RP-2014

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 Health 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.

NOTE 8—DEFINED BENEFIT PENSION PLANS – *continued*

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

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

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 17.2% 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 table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	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%

Discount Rate. The discount rate used to measure the total pension liability 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 statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8—DEFINED BENEFIT PENSION PLANS – *continued*

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

	1% Decrease (6.20%)	Current Discount Rate of 7.20%	1% Increase (8.20%)
City's proportionate share of the net pension liability	$ 4,525,322	$ 2,743,650	$ 1,142,158

Ohio Police & Fire Pension Fund (OP&F)

Actuarial Assumptions. 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 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 determine amounts are subject to continual review and potential modifications, as actual results are compared with past experiences and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2019, 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	2.75% plus productivity increase rate of 0.5%
Inflation assumptions	2.75%
Cost of living adjustments	3.0% simple; 2.2% simple for increases based on the lesser of the increase in CPI and 3.0%.

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%

NOTE 8—DEFINED BENEFIT PENSION PLANS – ***continued***

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the 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 determine using a building-block approach and assumes a time horizon, as defined in OP&F's 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 average of 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	0.0%	1.00%
Domestic equity	16.0%	5.40%
Non-U.S. equity	16.0%	5.80%
Private markets	8.0%	8.00%
Core fixed income*	23.0%	2.70%
High yield fixed income	7.0%	4.70%
Private credit	5.0%	5.50%
U.S. inflation linked bonds*	17.0%	2.50%
Master limited partnerships	8.0%	6.60%
Real assets	8.0%	7.40%
Private real estate	12.0%	6.40%
	120.0%	

*Note: Assumptions are geometric. * Levered 2x*

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

NOTE 8—DEFINED BENEFIT PENSION PLANS – *continued*

Discount Rate. The total pension liability was calculated using the discount rate of 8.0%. 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 earnings were calculated using the longer-term assumed investment rate of return of 8.0%. 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 8.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (7.0%) or one-percentage point higher (9.0%) than the current rate.

	1% Decrease (7.0%)	Current Discount Rate of 8.0%	1% Increase (9.0%)
City's proportionate share of the net pension liability	$ 15,368,777	$ 11,088,862	$ 1,509,137

NOTE 9—DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

NOTE 9—DEFINED BENEFIT OPEB PLANS – ***continued***

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Ohio Public Employees Retirement System (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 plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit 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 Combined plans. This trust is also used to fund health care for Member-Directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other post employment benefit (OPEB) as described in GASB Statement No. 75. See OPERS' Annual Comprehensive Financial 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 statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

NOTE 9—DEFINED BENEFIT OPEB PLANS – ***continued***

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 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of Traditional Pension and Combined plans' employer contributions allocated to health care was zero in 2020. 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 4.0%.

The City's contractually required contribution to OPERS was $9,363 for 2020.

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 postemployment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B premiums to retirees, qualifying benefit recipients and their eligible dependents.

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

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB. 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 Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy. The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5% and 24.0% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

NOTE 9—DEFINED BENEFIT OPEB PLANS – *continued*

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2020, the portion of the employer contributions allocated to health care was 0.5% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

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

The City's contractually required contribution to OP&F was $20,045 for 2020.

OPEB Liabilities, OPEB Expense, and Deferred Outflows 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 respective retirement systems relative to the contributions of all participating entities. The following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportionate Share of Net OPEB Liability	$ 2,165,909	$ 1,625,951	$ 3,791,860
Proportion of Net OPEB Liability	0.015681%	0.164608%	
Change in Proportion	-0.000005%	-0.004183%	
OPEB (Negative) Expense	$ 272,222	$ 210,332	$ 482,554

NOTE 9—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	$ 58	$ -	$ 58
Change in assumptions	342,840	950,596	1,293,436
Change in City's proportionate share and differences in employer contributions	18,791	267,567	286,358
City contributions subsequent to the measurement date	9,363	20,045	29,408
	$ 371,052	$ 1,238,208	$ 1,609,260
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 198,082	$ 174,856	$ 372,938
Net differences between projected and actual investment earnings	110,287	74,821	185,108
Change in assumptions	-	346,514	346,514
Change in City's proportionate share and differences in employer contributions	-	52,510	52,510
	$ 308,369	$ 648,701	$ 957,070

$29,408 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. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2021	$ 73,516	$ 108,556	$ 182,072
2022	26,843	108,556	135,399
2023	88	123,904	123,992
2024	(47,127)	99,707	52,580
2025	-	99,850	99,850
Thereafter	-	28,889	28,889
	$ 53,320	$ 569,462	$ 622,782

Actuarial Assumptions—OPERS

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

NOTE 9—DEFINED BENEFIT OPEB PLANS – *continued*

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

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OBEB 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 Statement No. 74:

Wage inflation	3.25%
Projected salary increases	3.25% to 10.75%, including wage inflation
Singe discount rate:	
Current measurement period	3.16%
Prior measurement period	3.96%
Investment rate of return	6.00%
Municipal bond rate:	
Current measurement period	2.75%
Prior measurement period	3.71%
Health care cost trend rate:	
Current measurement period	10.5% initial, 3.50% ultimate in 2030
Prior measurement period	10.0% initial, 3.25% ultimate in 2029
Actuarial cost method	Individual entry age

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

NOTE 9—DEFINED BENEFIT OPEB PLANS – *continued*

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, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7% for 2019.

The allocation of investment assets within the Health Care portfolio is approved by the OPERS Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the OPERS Board-approved asset allocation policy for 2019 and the long-term expected real rates of return.

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

Discount Rate. A single discount rate of 3.16% was used to measure the OPEB liability on the measurement date of December 31, 2019. 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.

NOTE 9—DEFINED BENEFIT OPEB PLANS – ***continued***

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16%, as well as what the City's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0% point lower (2.16%) or 1.0% point higher (4.16%) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate of 3.16%	1% Increase (4.16%)
City's proportionate share of the net OPEB liability	$ 2,834,357	$ 2,165,909	$ 1,630,586

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

	1% Decrease	Current Health Cost Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	$ 2,101,934	$ 2,165,909	$ 2,228,943

Changes Subsequent to the Measurement 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 measurement period, but are expected to decrease the associated OPEB liability.

NOTE 9—DEFINED BENEFIT OPEB PLANS – *continued*

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 retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefit for financial 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 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 calculating the total OPEB liability in the latest actuarial valuation are presented below:

Actuarial valuation date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.75% to 10.50%
Payroll growth	Inflation rate of 2.75%, plus productivity increase rate of 0.5%
Single discount rate:	
Current measurement date	3.56%
Prior measurement date	4.66%
Municipal bond rate:	
Current measurement date	2.75%
Prior measurement date	4.13%
Cost of living adjustments	3.0% simple; 2.2% simple for increase based on the lesser of the increases in CPI and 3.0%

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

NOTE 9—DEFINED BENEFIT OPEB PLANS – ***continued***

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 OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in OP&F's Statement of Investment Policy. A forecasted rate of inflation serves as a 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 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 equivalent	0.0%	1.00%
Domestic equity	16.0%	5.40%
Non-U.S. equity	16.0%	5.80%
Private markets	8.0%	8.00%
Core fixed income*	23.0%	2.70%
High yield fixed income	7.0%	4.70%
Private credit	5.0%	5.50%
U.S. inflation linked bonds*	17.0%	2.50%
Master limited partnerships	8.0%	6.60%
Real assets	8.0%	7.40%
Private real estate	12.0%	6.10%
Total	120.00%	

*Note: Assumptions are geometric. * Levered 2x*

NOTE 9—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. Total OPEB liability was calculated using the discount rate of 3.56%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.0%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payment 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 8.0%, which resulted in a blended discount rate of 3.56% at December 31, 2019 and 4.66% at December 31, 2018.

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 1% point lower (2.56%) and 1% point higher (4.56%) than the current discount rate.

	1% Decrease (2.56%)	Current Discount Rate of 3.56%	1% Increase (4.56%)
City's proportionate share of the net OPEB liability	$ 2,016,074	$ 1,625,951	$ 1,301,786

NOTE 10—OTHER EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation and Compensatory Time

City employees earn vacation leave at varying rates based upon length of service. In the case of death or separation from employment, an employee (or their estate) is paid for any unused vacation or compensatory leave. The obligation for accrued unpaid vacation time for the City as a whole amounted to $103,974 at December 31, 2020.

Accumulated Unpaid Sick Leave

City employees earn sick leave at the varying rates. Sick leave is cumulative without limit. In the event of death or separation, an employee is paid for a percentage of their accumulated sick leave up to a maximum. The obligation for accrued unpaid sick leave for the City as a whole amounted $951,271 at December 31, 2020.

NOTE 11—RISK MANAGEMENT

Risk Pool Membership
The City belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated nonprofit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan provides property, liability, errors and omissions, law enforcement, automobile, excessive liability, crime, surety and bond, inland marine and other coverage to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 771 and 776 members as of December 31, 2020 and 2019, respectively. Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform to accounting principles generally accepted in the United States of America and reported the following assets, liabilities and members' equity at December 31, 2020 and 2019:

	2020	2019
Assets	$ 18,826,974	$ 15,920,504
Liabilities	(13,530,267)	(11,329,011)
Members' Equity	$ 5,296,707	$ 4,591,493

You can read the complete audited financial statements for the OPRM at the Plan's website, www.ohioplan.org.

Health Insurance
During 2020, the City provided employees insurance for medical, dental, and life through Humana Insurance. The premiums for health, dental and accident and life insurance are paid monthly with the City paying one-hundred percent of the cost up to $797 per employee. Anything above this cap amount is split by the City and the employees per union contracts. The risk of loss transfers to the insurance carrier upon payment of the premium by the City.

Workers' Compensation
Workers' compensation claims are covered through the State of Ohio Workers Compensation Retrospective Plan. The City's MCO is Sheakley Unicorp.

There has been no significant reduction in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 12—LONG-TERM LIABILITIES

The following is a summary of changes during 2020 and balances for governmental activities' long-term liabilities of the City as of December 31, 2020.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
2015 Various purpose	$ 1,675,000	$ -	$ (115,000)	$ 1,560,000	$ 115,000
Unamortized premiums	55,648	-	(3,752)	51,896	-
Direct Placement:					
2019 Private placement refunding	1,425,000	-	(90,000)	1,335,000	85,000
OPWC direct borrowing loans	2,598,110	228,624	(180,550)	2,646,184	180,550
Capital lease obligations	1,086,040	440,013	(251,579)	1,274,474	287,762
Compensated absences	756,379	99,011	(66,451)	788,939	89,453
	$ 7,596,177	$ 767,648	$ (707,332)	$ 7,656,493	$ 757,765

Series 2015 General Obligation Various Purpose Improvement and Refunding Bonds
On October 15, 2015, the City issued $3,185,000 in Series 2015 general obligation limited tax various purpose improvement and refunding bonds to refinance $1,525,000 in public infrastructure bond anticipation notes, current refund $1,305,000 in Series 2005 general obligation refunding bonds, and finance State Street improvements. The bonds bear interest rates ranging from 1.0% to 4.0% and are scheduled to mature December 1, 2034.

Series 2019 Private Placement Refunding Bonds
On December 18, 2019, the City issued $1,425,000 in direct placement Series 2019 private placement refunding bonds to advance refund $1,385,000 of the Series 2009 general obligation various purpose improvement bonds. The refunded bonds pay an interest rate of 2.52% and mature on December 1, 2034.

OPWC Loans
Improvements to the City's street infrastructure were financed through expenditures by the Ohio Public Works Commission (OPWC). At December 31, 2020, the City has thirteen interest-free loans outstanding through the OPWC payable from governmental activities. The loans are payable in semi-annual installments of principal.

Compensated Absences
Compensated absences for governmental activities will be liquidated by the fund which pays the employee's salary, with the General Fund and Fire Improvement Fund being the most significant funds.

The general obligation bonds will be liquidated from the General, Capital Improvement, Home Depot TIF and Harrison Avenue TIF Funds. The OPWC loans will be liquidated from the General and Capital Improvement Funds.

NOTE 12—LONG-TERM LIABILITIES – ***continued***

The following is a summary of the City's future annual debt service principal and interest requirements for government-type activities long term-obligations:

	Governmental Activities	
	Various Purpose and Refunding Series - 2015	
Year Ending December 31,	Principal	Interest
2021	$ 115,000	$ 51,563
2022	115,000	49,263
2023	125,000	46,675
2024	125,000	42,925
2025	90,000	39,175
2026-2030	510,000	147,900
2031-2034	480,000	48,025
Total	$ 1,560,000	$ 425,526

	Governmental Activities Direct Placement and Direct Borrowing		
	Private Placement Refunding Series 2019		OPWC*
Year Ending December 31,	Principal	Interest	Principal
2021	$ 85,000	$ 33,642	$ 180,550
2022	90,000	31,500	180,550
2023	90,000	29,232	180,550
2024	95,000	26,964	180,551
2025	100,000	24,570	180,551
2026-2030	525,000	84,294	782,227
2031-2035	350,000	21,672	477,265
2036-2040	-	-	177,816
Total	$ 1,335,000	$ 251,874	$ 2,340,060

* - *excludes 2019 OPWC Madison and Washington Avenue improvements loan, as the project is ongoing and the loan amortization have not been finalized.*

NOTE 12—LONG-TERM LIABILITIES – ***continued***

The following is a summary of changes during 2020 and balances for business-type activities' long-term liabilities of the City as of December 31, 2020.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
General Obligation Bonds:					
2010 Sanitary sewer improvements	$ 555,000	$ -	$ (180,000)	$ 375,000	$ 185,000
Unamortized premiums	13,684	-	(6,271)	7,413	-
Direct Placement:					
2019 Private placement refunding	3,695,000	-	(50,000)	3,645,000	70,000
Revenue Bonds:					
2012 Sewer revenue refunding	10,035,000	-	(995,000)	9,040,000	1,020,000
Unamortized premiums	135,091	-	(15,300)	119,791	-
OPWC direct borrowing loans	938,252	-	(113,338)	824,914	102,823
ODWA direct borrowing loans	2,943,732	127,197	(332,392)	2,738,537	343,691
Capital lease obligations	27,216	504,111	(112,499)	418,828	107,973
Compensated absences	237,718	39,762	(11,174)	266,306	14,521
	$ 18,580,693	$ 671,070	$ (1,815,974)	$ 17,435,789	$ 1,844,008

Series 2010 General Obligation Bonds
On December 9, 2010, the City issued $5,490,000 in general obligation sewer system improvement bonds for the purpose of retiring outstanding notes that were used to finance various improvements to the wastewater system. The bonds were partially advance refunded during the year with the issuance of Series 2019 private placement refunding bonds. The remaining bonds bear interest rates of 3.40% to 3.75% and fully mature on December 1, 2022.

Series 2012 Revenue bonds
On May 4, 2012, the City issued $16,550,000 in wastewater system revenue refunding bonds. The proceeds of the issuance were used to advance refund the outstanding balance of the 2003 wastewater system revenue improvements and refunding bonds. The interest rates on the Series 2012 bonds range from 2% and 4% and will fully mature in 2028.

Series 2019 Private Placement Refunding Bonds
On December 18, 2019, the City issued $3,695,000 in direct placement Series 2019 private placement refunding bonds to advance refund $3,515,000 of the Series 2010 general obligation sanitary sewer improvement bonds. The refunded bonds pay an interest rate of 2.571% and mature on December 1, 2034.

NOTE 12—LONG-TERM LIABILITIES – *continued*

The general obligation bonds and mortgage revenue bonds are expected to be retired with revenues of the sewer fund. General obligation bonds are secured by the City's ability to levy a voted or unvoted property tax within the limitations of Ohio law. The City has pledged future sewer customer revenues, net of specified operating expenses, to repay $16,550,000 in Series 2012 wastewater system revenue refunding bonds. Principal and interest paid for the current year and net revenue available for debt service were $1,303,381 and $2,716,962, respectively.

OPWC Loans
Improvements to the City's water treatment facilities and State Street/Campbell Road and Etta, Lellan and Joyce Ave. improvements were financed through expenditures by the Ohio Public Works Commission (OPWC). At December 31, 2020, the City has two interest-free loans outstanding through the OPWC payable from business-type activities. The loans are payable in semi-annual installments of principal. The amounts due to the OPWC are payable solely from sewer and storm water revenues.

OWDA Loans
The City has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund construction projects. The amounts due to the OWDA are payable solely from water revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2020, the City has outstanding borrowings of $2,738,537. The loans are payable in semi-annual payments with interest rates ranging from 2.84% to 3.64%. The future annual debt service principal and interest requirements disclosed were based on the balances outstanding as of December 31, 2020.

Compensated Absences
Compensated absences for business-type activities will be paid from the Sewer and Water Funds.

The general obligation and revenue bonds will be liquidated from the Sewer Fund. The OPWC loans will be liquidated from the Sewer and Storm Water Funds. The OWDA loans will be liquidated from the Water Fund.

Principal and interest requirements to retire the City's outstanding obligations at December 31, 2020 were:

	Business-Type Activities			
	General Obligation Bonds		Revenue Refunding Bonds	
Year Ending December 31,	Principal	Interest	Principal	Interest
2021	$ 185,000	$ -	$ 1,020,000	$ -
2022	190,000	193,475	1,045,000	285,994
2023	-	186,538	1,075,000	260,494
2024	-	-	1,105,000	231,756
2025	-	-	1,140,000	199,506
2026-2030	-	-	3,655,000	258,825
Total	$ 375,000	$ 380,013	$ 9,040,000	$ 1,236,575

NOTE 12—LONG-TERM LIABILITIES – *continued*

Business-Type Activities Direct Placement and Direct Borrowing

Year Ending December 31,	Private Placement Refunding Bonds Principal	Private Placement Refunding Bonds Interest	OWDA* Principal	OWDA* Interest	OPWC Principal
2021	$ 70,000	$ 91,854	$ 364,507	$ 109,006	$ 113,339
2022	70,000	90,090	317,233	73,857	113,338
2023	255,000	88,326	289,162	63,778	113,338
2024	260,000	81,900	298,912	54,030	113,339
2025	265,000	75,348	308,992	43,949	113,339
2026-2030	1,435,000	273,168	1,032,534	76,619	258,221
2031-2034	1,290,000	82,278	-	-	-
Total	$ 3,645,000	$ 782,964	$ 2,611,340	$ 421,239	$ 824,914

* - *excludes 2019 Water Softening Project improvements loan, as the project is ongoing and the loan amortization have not been finalized.*

Defeased Debt

The City had defeased general obligation bonds during the year by placing the proceeds of the new bonds into irrevocable trust accounts to provide for the debt service payments on the old bonds. Accordingly, those trust account assets and the liability for those defeased bonds are not included in the City's financial statements. At December 31, 2020, $4,900,000 of defeased bonds remain outstanding.

NOTE 13—SHORT-TERM OBLIGATIONS

	Issue Date	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
Business-Type Activities:						
Sewer bond anticipation notes - 3.00%	10/29/2019	10/28/2020	$ 2,500,000	$ -	$ (2,500,000)	$ -
Sewer bond anticipation notes - 2.00%	10/28/2020	10/26/2021	-	2,500,000	-	2,500,000
			$ 2,500,000	$ 2,500,000	$ (2,500,000)	$ 2,500,000

On October 30, 2019, the City issued $2,500,000 in Sewer bond anticipation notes that provided rollover funding for bond anticipation notes previously issued for various sewer improvements. These notes had an interest rate of 3.00%. On October 28, 2020, the City issued $2,500,000 in Sewer bond anticipation notes that provided funding to rollover the October 2019 bond anticipation notes. These notes bear an interest rate of 2.00% and mature on October 26, 2021.

NOTE 14—CAPITAL LEASES

The City has entered into several capitalized leases for assets including police vehicles, street sweeper, paramedic vehicles, fire trucks, staff vehicles and various equipment, including five vehicles in 2019. The leases met the criteria of a capital lease as defined by GASB, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the governmental funds. These expenditures are reported as function expenditures on the budgetary statements. For enterprise funds, fund capital assets acquired by capital lease and the related liability and interest expense have been reported in the water fund.

Capital assets consisting of vehicles and equipment have been capitalized in the statement of net position in the amount of $1,767,470, with a net book value of $1,359,765, for the governmental activities and $563,203, with a net book value of $502,461, in the business-type activities.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2020.

Year Ending December 31,	Governmental Activities	Business-Type Activities
2021	$ 321,042	$ 117,285
2022	321,041	109,406
2023	231,774	107,580
2024	182,788	107,580
2025	138,880	-
2026-2027	182,472	-
Total	1,377,997	441,851
Less: amount representing interest	(103,523)	(23,023)
Present value of net minimum lease payments	$ 1,274,474	$ 418,828

NOTE 15—FUND BALANCES

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

Fund Balances	General Fund	Fire Improvement	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaids	$ 84,237	$ 77,954	$ -	$ 26,115	$ 188,306
Inventory	-	-	-	8,587	8,587
Advances	20,411	-	-	-	20,411
Total Nonspendable	104,648	77,954	-	34,702	217,304
Restricted for:					
Police operations	-	-	-	7,882	7,882
Fire operations	-	-	-	4,202	4,202
Senior Center operations	-	-	-	1,618	1,618
Recreational activities	-	-	-	652,322	652,322
Street and highway projects	-	-	-	63,660	63,660
Law enforcement and education	-	-	-	36,142	36,142
Infrastructure projects	-	-	-	738,757	738,757
Other purposes	-	-	-	14,417	14,417
Total Restricted	-	-	-	1,519,000	1,519,000
Committed to					
Severances	655,826	-	-	-	655,826
Capital projects	-	-	235,913	-	235,913
Total Committed	655,826	-	235,913	-	891,739
Assigned to:					
Police operations	41,645	-	-	-	41,645
Debt service	-	-	-	385,239	385,239
Recreational activities	84,339	-	-	-	84,339
Capital projects	-	-	-	365,805	365,805
Parks and recreation	67	-	-	-	67
Building, planning and zoning	14,620	-	-	-	14,620
General government	98,354	-	-	-	98,354
Budget resource	653,945	-	-	-	653,945
Total Assigned	892,970	-	-	751,044	1,644,014
Unassigned (Deficit)	3,413,225	(89,397)	-	-	3,323,828
Total Fund Balance	$ 5,066,669	$ (11,443)	$ 235,913	$ 2,304,746	$ 7,595,885

NOTE 15—FUND BALANCES – *continued*

At December 31, 2020, the following deficit fund balance was reported:

Fire Improvement	$ 11,443

These deficits resulted from the accrued but unpaid liabilities that are not payable from current period revenue and do not exist on a budget basis. The General Fund provides transfers to cover fund deficit balances; however, this is done when cash is needed. The City also had budgetary basis deficit fund balances due to grants and loans that were in the process of collection.

NOTE 16—COMMITMENTS

The City utilizes encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances outstanding was as follows:

General Fund	$ 227,779
Fire Improvement Fund	55,601
Capital Improvement Fund	758
Nomajor Governmental Funds	167,684
	$ 451,822

NOTE 17—CONTINGENT LIABILITIES

Litigation

The City is of the opinion that ultimate disposition of claims and legal proceedings will not have a material effect on the financial condition of the City.

Federal and State Grants

The City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The City believes all expenditures meet grant qualifications.

Asset Retirement Obligations

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewage treatment system to the Ohio Environmental Protection Agency (EPA) for approval. Through this permitting process, the City would be responsible to address any public safety issues associated with their sewage treatment system and the permit would specify the procedures required to dispose of all or part of the sewage treatment system. At this time, the City does not have an approved permit from the Ohio EPA to dispose of all or part of their sewage treatment system. Due to the lack of specific legal requirements for retiring the sewage treatment system, the City has determined that the amount of the asset retirement obligation cannot be reasonably estimated.

NOTE 18—CHANGE IN ACCOUNTING PRINCIPLES

During the year, the City implemented the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*. 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 identified AROs were deemed immaterial or could not be reasonably estimated.

NOTE 19—COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The impact on the City's future operating costs, revenues and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 20—RESTATEMENTS

During the year, the City discovered errors in posting certain transactions that required restatements to enterprise funds' beginning net position to correct. The corrections had the following impact to beginning net position:

	Business-Type Activities
Net Position at December 31, 2019	$ 17,304,130
Adjustments:	
Correction of posting errors	60,646
Restated Net Position at December 31, 2019	$ 17,364,776

	Water Fund	Sewer Funds	Nonmajor Enterprise Funds
Net Position at December 31, 2019	$ 9,657,777	$ 5,592,539	$ 2,053,814
Adjustments:			
Correction of posting errors	1,821	58,176	649
Restated Net Position at December 31, 2019	$ 9,659,598	$ 5,650,715	$ 2,054,463

Required Supplementary Information

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CITY OF HARRISON, OHIO
Required Supplementary Information
Schedule of City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Seven Years (1) (2)

	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.01149%	$ 1,354,639	$ 1,502,200	90.18%	86.36%
2015	0.01149%	1,385,943	1,408,850	98.37%	86.45%
2016	0.01152%	1,994,671	1,552,425	128.49%	81.08%
2017	0.01253%	2,845,214	1,692,225	168.13%	77.25%
2018	0.01313%	2,059,541	1,343,162	153.34%	84.66%
2019	0.01365%	3,739,650	1,798,529	207.93%	74.70%
2020	0.01388%	2,743,650	2,057,864	133.33%	82.17%

(1) Information prior to 2014 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

Change in assumptions. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

In 2019, a reduction of the discount rate was made from 7.5% to 7.2%.

CITY OF HARRISON, OHIO
Required Supplementary Information
Schedule of City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund
Last Seven Years (1) (2)

	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.155605%	$ 7,578,456	$ 4,078,361	185.82%	73.00%
2015	0.155605%	8,060,993	3,198,414	252.03%	72.20%
2016	0.148139%	9,529,887	3,183,678	299.34%	66.77%
2017	0.160142%	10,143,234	3,624,913	279.82%	68.36%
2018	0.169570%	10,407,251	3,820,692	272.39%	70.91%
2019	0.168791%	13,777,807	3,977,501	346.39%	63.07%
2020	0.164608%	11,088,862	4,446,232	249.40%	69.89%
	-0.004183%				

(1) Information prior to 2014 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

Change in assumptions. In 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2016. Significant changes included a reduction of the discount rate from 8.25% to 8.0%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

CITY OF HARRISON, OHIO
Required Supplementary Information
Schedule of City Pension Contributions
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Ten Years

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2011	$ 182,879	$ (182,879)	$ -	$ 1,828,790	10.00%
2012	178,537	(178,537)	-	1,785,370	10.00%
2013	195,286	(195,286)	-	1,502,200	13.00%
2014	169,062	(169,062)	-	1,408,850	12.00%
2015	186,291	(186,291)	-	1,552,425	12.00%
2016	203,067	(203,067)	-	1,692,225	12.00%
2017	174,611	(174,611)	-	1,343,162	13.00%
2018	251,794	(251,794)	-	1,798,529	14.00%
2019	288,101	(288,101)	-	2,057,864	14.00%
2020	278,621	(278,621)	-	1,990,150	14.00%

CITY OF HARRISON, OHIO
Required Supplementary Information
Schedule of City Pension Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2011	$ 474,381	$ (474,381)	$ -	$ 3,352,516	14.15%
2012	492,870	(492,870)	-	3,382,773	14.57%
2013	696,584	(696,584)	-	4,078,361	17.08%
2014	651,197	(651,197)	-	3,198,414	20.36%
2015	639,601	(639,601)	-	3,183,678	20.09%
2016	728,245	(728,245)	-	3,624,913	20.09%
2017	767,577	(767,577)	-	3,820,692	20.09%
2018	799,080	(799,080)	-	3,977,501	20.09%
2019	893,248	(893,248)	-	4,446,232	20.09%
2020	860,379	(860,379)	-	4,282,623	20.09%

CITY OF HARRISON, OHIO
Required Supplementary Information
Schedule of City's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System
Last Four Years (1) (2)

	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.014743%	$ 1,489,124	$ 1,692,225	88.00%	54.05%
2018	0.015207%	1,651,339	1,343,162	122.94%	54.14%
2019	0.015686%	2,045,097	1,798,529	113.71%	46.33%
2020	0.015681%	2,165,909	2,057,864	105.25%	47.80%

(1) Information prior to 2017 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

Change in assumptions. In 2018, the single discount rate changed from 4.23% to 3.85%.

In 2019, the single discount rate changed from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00%, and the health care cost trend rate changed from 7.5% initial to 10.0% initial.

In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate changed from 10.0% initial, 3.25% ultimate in 2029 to 10.5% initial, 3.50% ultimate in 2030.

CITY OF HARRISON, OHIO
Required Supplementary Information
Schedule of City's Proportionate Share of the Net OPEB Liability
Ohio Police and Fire Pension Fund
Last Four Years (1) (2)

	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.160142%	$ 7,601,581	$ 3,624,913	209.70%	15.96%
2018	0.169570%	9,607,576	3,820,692	251.46%	14.13%
2019	0.168791%	1,537,101	3,977,501	38.64%	46.57%
2020	0.164608%	1,625,951	4,446,232	36.57%	47.08%

(1) Information prior to 2017 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

Change in assumptions. In 2018, the single discount rate changed from 3.79% to 3.24%.

In 2019, the single discount rate changed from 3.24% to 4.66%.

In 2020, the single discount rate changed from 4.66% to 3.56%.

Change in benefit terms. Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model, depositing stipends into individual health reimbursements accounts that retiree will use to be reimbursed for health care expenses.

CITY OF HARRISON, OHIO
Required Supplementary Information
Schedule of City OPEB Contributions
Ohio Public Employees Retirement System
Last Ten Years

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2011	$ 73,152	$ (73,152)	$ -	$ 1,828,790	4.0%
2012	71,415	(71,415)	-	1,785,370	4.0%
2013	15,022	(15,022)	-	1,502,200	1.0%
2014	28,177	(28,177)	-	1,408,850	2.0%
2015	31,049	(31,049)	-	1,552,425	2.0%
2016	33,845	(33,845)	-	1,692,225	2.0%
2017	16,560	(16,560)	-	1,343,162	1.2%
2018	9,881	(9,881)	-	1,798,529	0.5%
2019	11,025	(11,025)	-	2,057,864	0.5%
2020	9,363	(9,363)	-	1,990,150	0.5%

CITY OF HARRISON, OHIO
Required Supplementary Information
Schedule of City OPEB Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2011	$ 213,787	$ (213,787)	$ -	$ 3,352,516	6.4%
2012	221,667	(221,667)	-	3,382,773	6.6%
2013	145,541	(145,541)	-	4,078,361	3.6%
2014	15,208	(15,208)	-	3,198,414	0.5%
2015	15,349	(15,349)	-	3,183,678	0.5%
2016	17,244	(17,244)	-	3,624,913	0.5%
2017	17,949	(17,949)	-	3,820,692	0.5%
2018	18,598	(18,598)	-	3,977,501	0.5%
2019	20,811	(20,811)	-	4,446,232	0.5%
2020	20,045	(20,045)	-	4,282,623	0.5%

bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

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

City of Harrison
Hamilton County
300 George Street
Harrison, Ohio 45030

To the Members of City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harrison, Hamilton County, (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 25, 2022, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

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Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio
May 25, 2022

FINDING NUMBER 2020-001

Material Weakness

Accurate reconciliation procedures are a key component of an effective accounting system required to enable the City to properly classify transactions, maintain accountability for funds, distribute funds accurately, and detect fraud and errors in a timely manner.

We noted the following reconciling issues:

- Bank reconciliations were not provided to Council at their regular monthly meetings for review and approval.
- Posting of disbursements and receipts was not done on a timely basis. In 2020, disbursement and receipt transactions were not completely posted prior to year-end. Reconciliations were not completed until 2022.

Untimely recording of transactions and inaccurate reconciliations reduce management's ability to monitor of City assets and funds and increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

We recommend the City ensure that monthly reconciliations are performed timely and all variances between the book and the bank are identified and resolved during the reconciliation process. We also recommend that the monthly reconciliations be included in the financial packet presented to Council and that Council review and sign off on these reconciliations noting this review and approval. We further recommend that all transactions be posted to the accounting system timely.

Officials' Response: We received no response from Officials regarding this finding.

City of Harrison
Hamilton County

Schedule of Prior Audit Findings
December 31, 2020

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected: Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2019-001	Material Noncompliance – ORC 5705.39	Yes	

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF HARRISON

HAMILTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 6/28/2022

88 East Broad Street, Columbus, Ohio 43215
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