



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF CORTLAND
TRUMBULL COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

City of Cortland
Trumbull County
400 North High Street
Cortland, Ohio 44410

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cortland, Trumbull County, Ohio (the City), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cortland, Trumbull County, Ohio, as of December 31, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Police Levy, and Fire Levy funds thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 18 to the 2020 and 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may 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 September 28, 2021, 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.



Keith Faber
Auditor of State
Columbus, Ohio

September 28, 2021

City of Cortland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

The discussion and analysis of the City of Cortland'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 are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and notes to enhance their understanding of the City's financial performance.

Financial Highlights

- The City's net position increased during 2020 due primarily to increases in cash and cash equivalents resulting from cash basis revenues continuing to significantly outpace cash basis expenses as a result of the City's careful budgeting/spending. Net position also increased due to an increase in net capital assets attributable to current year additions exceeding current year deletions and annual depreciation.
- The City received additional OPWC monies in 2020 for the Cedar Waterline Replacement and the North Mecca Waterline Replacement project.
- In 2020, capital asset additions consisted of the construction in progress, buildings and improvements, purchase of furniture, fixtures, equipment, vehicles and infrastructure improvements to roads and waterlines.

Using this Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the City of Cortland's basic financial statements. These statements are organized so that readers can understand the City as a financial whole or as an entire operating entity. The statements then proceed to provide an increasing detailed look at specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City. They provide both an aggregate view of the City's finances in addition to a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

The City of Cortland as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the questions, "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 and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

The government-wide financial statements are designed to provide readers with a broad overview of the City of Cortland's finances, in a manner similar to private sector businesses.

The *statement of net position* presents information on all of the City of Cortland's assets, deferred outflows, liabilities and deferred inflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Cortland is improving or deteriorating.

City of Cortland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

The *statement of activities* presents information showing how the government's net position changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Cortland that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Cortland include general government, security of persons and property, leisure time activities, community environment, transportation and basic utility services. General government activities include those of the City Council, the mayor's office, the finance department, the law director and the service director as well as other administrative services. Security of persons and property activities include those of the police and fire department. The leisure time activities include the upkeep and maintenance of the City's park while community environment includes the planning and zoning and public lands and buildings departments. Transportation includes all street construction, maintenance and repair activities and basic utility services include the maintenance and upkeep of all storm sewers located within the City. The business-type activities include water and sewer.

Reporting the City's Most Significant Funds

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

Governmental funds Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on balances of expendable resources available at the end of the year.

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

The City of Cortland maintains twelve individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund and the police levy and fire levy special revenue funds, all of which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation.

The City of Cortland adopts an annual appropriated budget for each of its funds to demonstrate budgetary compliance.

City of Cortland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

Proprietary Funds The City of Cortland's proprietary funds consist of water and sewer. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations as they are considered major funds.

Notes to the Basic Financial Statements The notes provide additional information that are essential for a full understanding of the data provided in the government-wide and fund financial statements.

The City as a Whole

As noted earlier, the Statement of Net Position looks at the City as a whole. The following table provides a summary of the City's net position for 2020 compared to 2019.

*Note, amounts presented are after deferred inflows and deferred outflows related to the change in internal proportionate share of pension-related items have been eliminated.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019*	2020*	2019*
Assets						
Current and Other Assets	\$6,168,823	\$5,359,453	\$2,302,263	\$1,837,060	\$8,471,086	\$7,196,513
Capital Assets, Net	6,344,746	6,281,170	10,166,114	9,907,140	16,510,860	16,188,310
<i>Total Assets</i>	<u>12,513,569</u>	<u>11,640,623</u>	<u>12,468,377</u>	<u>11,744,200</u>	<u>24,981,946</u>	<u>23,384,823</u>
Deferred Outflows of Resources						
Pension	777,294	1,565,679	117,519	255,705	881,847	1,793,916
OPEB	513,015	497,691	79,189	30,516	582,503	509,403
<i>Total Deferred Outflows of Resources</i>	<u>1,290,309</u>	<u>2,063,370</u>	<u>196,708</u>	<u>286,221</u>	<u>1,464,350</u>	<u>2,303,319</u>
Liabilities						
Current Liabilities	76,928	53,022	189,972	139,728	266,900	192,750
Long-Term Liabilities						
Due Within One Year	130,405	147,084	265,842	260,382	396,247	407,466
Due in More Than One Year						
Net Pension Liability	4,021,757	5,427,035	643,102	846,814	4,664,859	6,273,849
Net OPEB Liability	899,144	875,276	429,514	386,774	1,328,658	1,262,050
Other Amounts	541,532	609,554	3,798,407	3,395,396	4,339,939	4,004,950
<i>Total Liabilities</i>	<u>\$5,669,766</u>	<u>\$7,111,971</u>	<u>\$5,326,837</u>	<u>\$5,029,094</u>	<u>\$10,996,603</u>	<u>\$12,141,065</u>

City of Cortland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
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Table 1
Net Position (continued)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019*	2020*	2019*
Deferred Inflows of Resources						
Property Taxes	\$3,068,529	\$2,627,447	\$0	\$0	\$3,068,529	\$2,627,447
Pension	840,685	104,583	150,664	35,557	978,383	112,672
OPEB	277,363	167,651	70,696	18,022	338,358	166,869
<i>Total Deferred Inflows of Resources</i>	<u>4,186,577</u>	<u>2,899,681</u>	<u>221,360</u>	<u>53,579</u>	<u>4,385,270</u>	<u>2,906,988</u>
Net Position						
Net Investment in						
Capital Assets	5,997,957	5,871,755	6,035,533	6,258,925	12,033,490	12,130,680
Restricted for:						
Capital Projects	20,483	8,372	0	0	20,483	8,372
Police	231,782	288,731	0	0	231,782	288,731
Fire	714,111	552,726	0	0	714,111	552,726
Street Construction, Maintenance and Repair	489,449	464,941	0	0	489,449	464,941
Other Purposes	234,580	259,550	0	0	234,580	259,550
Unrestricted (Deficit)	(3,740,827)	(3,753,734)	1,081,355	688,823	(2,659,472)	(3,064,911)
<i>Total Net Position</i>	<u>\$3,947,535</u>	<u>\$3,692,341</u>	<u>\$7,116,888</u>	<u>\$6,947,748</u>	<u>\$11,064,423</u>	<u>\$10,640,089</u>

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2020. 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.

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.

Total assets for governmental activities increased due mainly to an increase in cash and cash equivalents attributable to higher revenues coupled with careful spending and also due to an increase in property taxes receivable resulting from a new tax levy for fire capital improvements to begin in 2021. The decrease in long-term liabilities can be attributed to decreases in the net pension liability attributed to the City as well as to reductions in debt obligations due to the continued pay down of debt obligations offset by increases in the net OPEB liability.

City of Cortland, Ohio
Management's Discussion and Analysis
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Total assets for business-type activities increased due to an increase in cash and cash equivalents as cash basis revenues from utility charges for services continued to exceed cash basis expenses. Total liabilities for business-type activities increased due mainly to increases in long-term debt related to water infrastructure projects.

The City of Cortland was able to report positive balances for combined net position as well as for the separate governmental and business-type activities.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the year. The following table provides a summary of the City's changes in net position for 2020 compared to 2019.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Charges for Services	\$541,157	\$512,576	\$2,175,309	\$2,057,362	\$2,716,466	\$2,569,938
Operating Grants and Contributions	1,330,657	849,096	0	0	1,330,657	849,096
Capital Grants	132,558	431,434	67,856	5,211	200,414	436,645
Total Program Revenues	<u>2,004,372</u>	<u>1,793,106</u>	<u>2,243,165</u>	<u>2,062,573</u>	<u>4,247,537</u>	<u>3,855,679</u>
General Revenues						
Property Taxes	2,641,884	2,693,133	0	0	2,641,884	2,693,133
Local Permissive Taxes	105,105	89,716	0	0	105,105	89,716
Grants and Entitlements	218,061	189,384	0	0	218,061	189,384
Investment Earnings	35,759	30,837	0	0	35,759	30,837
Other	46,489	18,163	22,930	30,381	69,419	48,544
Total General Revenues	<u>3,047,298</u>	<u>3,021,233</u>	<u>22,930</u>	<u>30,381</u>	<u>3,070,228</u>	<u>3,051,614</u>
<i>Total Revenues</i>	<u>5,051,670</u>	<u>4,814,339</u>	<u>2,266,095</u>	<u>2,092,954</u>	<u>7,317,765</u>	<u>6,907,293</u>
Program Expenses						
General Government	942,735	870,361	0	0	942,735	870,361
Security of Persons and Property	3,145,817	790,599	0	0	3,145,817	790,599
Public Health and Welfare	25,441	18,101	0	0	25,441	18,101
Leisure Time Activities	36,177	30,744	0	0	36,177	30,744
Community Environment	12,324	24,052	0	0	12,324	24,052
Transportation	576,478	454,790	0	0	576,478	454,790
Basic Utility Services	52,043	42,538	0	0	52,043	42,538
Interest and Fiscal Charges	5,461	7,502	0	0	5,461	7,502
Water	0	0	866,739	851,916	866,739	851,916
Sewer	0	0	1,230,216	1,131,005	1,230,216	1,131,005
Total Program Expenses	<u>4,796,476</u>	<u>2,238,687</u>	<u>2,096,955</u>	<u>1,982,921</u>	<u>6,893,431</u>	<u>4,221,608</u>
Increase (Decrease) in Net Position	255,194	2,575,652	169,140	110,033	424,334	2,685,685
Net Position Beginning	3,692,341	1,116,689	6,947,748	6,837,715	10,640,089	7,954,404
Net Position End of Year	<u>\$3,947,535</u>	<u>\$3,692,341</u>	<u>\$7,116,888</u>	<u>\$6,947,748</u>	<u>\$11,064,423</u>	<u>\$10,640,089</u>

Governmental Activities

For governmental activities, there was an overall increase in program revenues for 2020. Charges for services increased due to slightly higher charges for ambulance runs. Operating grants went up as a result of an increase in State and Federal grant monies, including grant monies for coronavirus relief. The decrease in capital grants was due to a decrease in ODOT and OPWC grant monies received in 2020. The general revenues increased due to increases in general fund other local grants, local permissive taxes, interest earned on depository accounts and miscellaneous revenue.

City of Cortland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

A review of table 2 also shows that program expenses increased from 2019 levels. Changes in the net OPEB liability resulted in a \$2,612,111 increase in program expenses. Changes in the net pension liability resulted in a \$403,398 decrease in program expenses.

For 2019, OP&F recognized a change in benefit terms for their OPEB plan. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years. These changes contributed to OPEB expense decreasing from \$245,706 in 2018 to a negative OPEB expense of \$2,488,346 for 2019. The OPEB expense for 2020 increased to \$125,668.

Program expenses excluding amounts related to the net pension/OPEB liabilities and related payments subsequent increased by \$241,727 due to an increase in general government relating to coronavirus relief expenditures and to an increase in transportation costs related to street maintenance and repair.

The largest expense for the City in 2020 was security of persons and property for the police and fire departments. The significant increase in security of persons and property from the prior year is attributable to changes in the benefit terms for the Ohio Police and Fire OPEB plan in 2019. As mentioned above, these changes resulted in a large negative OPEB expense in 2019. The Cortland City Police Department is a full-service law enforcement agency consisting of 11 full-time and 6 part-time police officers. The department offers 24-hour patrol and citizen complaint response, as well as providing additional services such as vacation checks, business and citizen programs, fingerprinting, etc. The Cortland City Fire Department currently operates out of one station house. The department responds to nearly 900 emergencies each year. The department is staffed by 10 full-time and approximately 20 part-time employees. The full time daily staff of six firefighter/paramedics is supplemented by part time and volunteer crews.

The second largest expense for the City in 2020 was general government. Expenses for general government represent the overhead costs of running the City and the support services provided for the other governmental activities. These include the costs of council, the mayor, administration, law, service and finance.

Another major expense is transportation. The City uses a combination of the State license and gasoline excise taxes to help fund a nine person service department and the City's paving program.

Table 3 presents a summary for governmental activities, the total cost of services and the net cost of providing these services.

	Governmental Activities			
	Total Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2020	Net Cost of Services 2019
General Government	\$942,735	\$870,361	(\$820,330)	(\$741,484)
Security of Persons and Property	3,145,817	790,599	(1,856,308)	(48,589)
Public Health and Welfare	25,441	18,101	(20,094)	(14,707)
Leisure Time Activities	36,177	30,744	(28,574)	(26,515)
Community Environment	12,324	24,052	(9,734)	(19,542)
Transportation	576,478	454,790	(1,142)	446,720
Basic Utility Services	52,043	42,538	(50,461)	(33,962)
Interest and Fiscal Charges	5,461	7,502	(5,461)	(7,502)
Total	\$4,796,476	\$2,238,687	(\$2,792,104)	(\$445,581)

City of Cortland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

Business-Type Activities

Business-type activities include the City's water and sewer operations. In 2020, charges for services continued to be the major revenue source for business-type activities. On the expense side, the largest expenses are for contractual services and employee payroll and benefits.

The City's Funds

A review of the City's governmental funds provides information on near-term flows and balances of expendable resources and serves as a useful measure of a government's net resources. Governmental fund information can be found beginning with the balance sheet and is accounted for using the modified accrual basis of accounting.

The City's major governmental funds are the general fund and police levy and fire levy special revenue funds. The general fund saw an increase in fund balance due to an increase in cash resulting from higher revenues and lower expenditures due to cost cutting measures. Despite a drop in expenditures as well as a small increase in revenues, the fund balance of the police levy special revenue decreased as expenditures, consisting mainly of personal services, continued to exceed revenues. The fire levy special revenue fund saw an increase in fund balance due to increases in both property tax collections and intergovernmental revenues.

Proprietary funds are accounted for on an accrual basis.

Enterprise funds are handled in the same manner as governmental funds, with the intent to ensure the strength of these funds. These funds had total operating revenue of \$2,198,239 and total operating expenses of \$2,073,306. The City has the power to increase revenue through water and sewer rate increases.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. One of the most significant budgeted funds is the general fund. During the course of 2020, the City amended its general fund budget on various occasions. All recommendations for budget changes are presented to the Finance Committee of Council before going to City Council for legislative action to approve the change. Budgetary changes normally consist of requests for capital expenditures as the City of Cortland operates with a legal level of control at the object level for all funds. This allows the City to make small interdepartmental budget modifications within departments. The general fund supports many major activities that include parks and storm sewers, in addition to being the funding source for legislative and administrative activities. The general fund is monitored closely with regard to revenues and related expenditures.

There were small fluctuations in revenues from the final budget to actual, but overall individual revenue projections were close to estimates. There was a decrease in actual expenditures made compared to the final budget. This was due to restricting spending as much as possible in the City's efforts to maintain a positive fund balance. The City was also conservative in its spending due to the impact of the coronavirus pandemic being unknown at the time.

City of Cortland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

Capital Assets

For 2020, the primary additions for governmental activities included construction in progress for telephone system upgrades, which was finalized, building improvements, the purchase of vehicles, furniture, fixtures, and equipment and infrastructure improvements to roads.

Capital asset additions for business-type activities included construction in progress, furniture, fixtures and equipment, vehicles and infrastructure improvements to waterlines.

Additional information concerning the City's capital assets can be found in Note 11 to the basic financial statements.

Long-term Obligations

The City's long-term obligations consist of general obligation bonds, OPWC loans, OWDA loans, net pension liability, net OPEB liability and compensated absences. Business-type OPWC loans and OWDA loans are for water infrastructure improvement projects and will be repaid using water revenues. The governmental general obligation bonds are for the purchase of police and fire vehicles and will be repaid from the police levy fund and the fire levy fund. The governmental OPWC loan is for storm sewer improvements and will be repaid from the general fund using storm sewer charges. During 2020, the City received proceeds for the North Mecca Waterline Replacement and the Cedar Drive Waterline Replacement from OPWC.

The City's overall legal debt margin was \$14,383,689 at December 31, 2020. Additional information concerning debt issuances can be found in Note 10 to the basic financial statements.

Current Financial Related Activities

The general fund continues to fund the administrative costs and activities such as parks and storm sewers. Since the City of Cortland does not have an income tax, but relies upon tax levies for the majority of its funding, the flow of revenue has remained fairly constant. These revenues will continue to be closely monitored and reviewed to ensure continued financial stability as we go forward. The City also continues to maintain infrastructure by making various improvements when needed. In 2020, the City made improvements to roads and waterlines. The City is dedicated to careful financial planning to remain financially strong.

Contacting the City's Finance Department

This financial report is designed to provide the citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact Patti Gibson, Finance Director, City of Cortland, 400 N. High St. Cortland, Ohio 44410. Phone: (330) 637-4263, Fax: (330) 637-4778 or email pgibson@cityofcortland.org.

City of Cortland, Ohio
Statement of Net Position
December 31, 2020

	Governmental Activities	Business-Type Activities	Total*
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,337,411	\$1,738,425	\$4,075,836
Accounts Receivable	124,737	555,468	680,205
Intergovernmental Receivable	455,270	0	455,270
Local Permissive Taxes Receivable	52,970	0	52,970
Prepaid Items	16,771	4,864	21,635
Property Taxes Receivable	3,178,426	0	3,178,426
Net Pension Asset (see Note 12)	3,238	3,506	6,744
Nondepreciable Capital Assets	74,385	45,087	119,472
Depreciable Capital Assets, Net	6,270,361	10,121,027	16,391,388
<i>Total Assets</i>	<u>12,513,569</u>	<u>12,468,377</u>	<u>24,981,946</u>
Deferred Outflows of Resources			
Pension	777,294	117,519	881,847
OPEB	513,015	79,189	582,503
<i>Total Deferred Outflows of Resources</i>	<u>1,290,309</u>	<u>196,708</u>	<u>1,464,350</u>
Liabilities			
Accounts Payable	2,494	1,112	3,606
Contracts Payable	0	117,674	117,674
Accrued Wages	48,322	9,794	58,116
Intergovernmental Payable	21,758	49,786	71,544
Accrued Interest Payable	638	11,606	12,244
Unearned Revenue	3,716	0	3,716
Long-Term Liabilities:			
Due Within One Year	130,405	265,842	396,247
Due In More Than One Year			
Net Pension Liability (See Note 12)	4,021,757	643,102	4,664,859
Net OPEB Liability (See Note 13)	899,144	429,514	1,328,658
Other Amounts	541,532	3,798,407	4,339,939
<i>Total Liabilities</i>	<u>5,669,766</u>	<u>5,326,837</u>	<u>10,996,603</u>
Deferred Inflows of Resources			
Property Taxes	3,068,529	0	3,068,529
Pension	840,685	150,664	978,383
OPEB	277,363	70,696	338,358
<i>Total Deferred Inflows of Resources</i>	<u>4,186,577</u>	<u>221,360</u>	<u>4,385,270</u>
Net Position			
Net Investment in Capital Assets	5,997,957	6,035,533	12,033,490
Restricted for:			
Capital Projects	20,483	0	20,483
Police	231,782	0	231,782
Fire	714,111	0	714,111
Street Construction, Maintenance and Repair	489,449	0	489,449
Other Purposes	234,580	0	234,580
Unrestricted (Deficit)	(3,740,827)	1,081,355	(2,659,472)
<i>Total Net Position</i>	<u>\$3,947,535</u>	<u>\$7,116,888</u>	<u>\$11,064,423</u>

* After deferred inflows and deferred outflows related to the change in internal proportionate share pension-related items have been eliminated.

See accompanying notes to the basic financial statements

City of Cortland, Ohio
Statement of Activities
For the Year Ended December 31, 2020

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants
Governmental Activities:				
General Government	\$942,735	\$122,405	\$0	\$0
Security of Persons and Property	3,145,817	401,630	875,768	12,111
Public Health and Welfare	25,441	5,347	0	0
Leisure Time Activities	36,177	7,603	0	0
Community Environment	12,324	2,590	0	0
Transportation	576,478	0	454,889	120,447
Basic Utility Services	52,043	1,582	0	0
Interest and Fiscal Charges	5,461	0	0	0
<i>Total Governmental Activities</i>	<u>4,796,476</u>	<u>541,157</u>	<u>1,330,657</u>	<u>132,558</u>
Business-Type Activities:				
Water	866,739	984,336	0	32,444
Sewer	1,230,216	1,190,973	0	35,412
<i>Total Business-Type Activities</i>	<u>2,096,955</u>	<u>2,175,309</u>	<u>0</u>	<u>67,856</u>
<i>Total</i>	<u><u>\$6,893,431</u></u>	<u><u>\$2,716,466</u></u>	<u><u>\$1,330,657</u></u>	<u><u>\$200,414</u></u>

General Revenues

Property Taxes Levied for:
 General Purposes
 Police Levy
 Fire Levy
Local Permissive Taxes
Grants and Entitlements not Restricted
to Specific Programs
Interest
Gain on Sale of Capital Assets
Other

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$820,330)	\$0	(\$820,330)
(1,856,308)	0	(1,856,308)
(20,094)	0	(20,094)
(28,574)	0	(28,574)
(9,734)	0	(9,734)
(1,142)	0	(1,142)
(50,461)	0	(50,461)
(5,461)	0	(5,461)
<u>(2,792,104)</u>	<u>0</u>	<u>(2,792,104)</u>
0	150,041	150,041
0	(3,831)	(3,831)
<u>0</u>	<u>146,210</u>	<u>146,210</u>
<u>(2,792,104)</u>	<u>146,210</u>	<u>(2,645,894)</u>
549,968	0	549,968
1,113,608	0	1,113,608
978,308	0	978,308
105,105	0	105,105
218,061	0	218,061
35,759	0	35,759
108	0	108
46,381	22,930	69,311
<u>3,047,298</u>	<u>22,930</u>	<u>3,070,228</u>
255,194	169,140	424,334
<u>3,692,341</u>	<u>6,947,748</u>	<u>10,640,089</u>
<u>\$3,947,535</u>	<u>\$7,116,888</u>	<u>\$11,064,423</u>

City of Cortland, Ohio

*Balance Sheet
Governmental Funds
December 31, 2020*

	General	Police Levy	Fire Levy	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$899,738	\$245,379	\$710,600	\$481,694	\$2,337,411
Receivables:					
Property Taxes	624,831	1,346,908	1,019,732	186,955	3,178,426
Local Permissive Taxes	0	0	0	52,970	52,970
Accounts	15,996	88	108,622	31	124,737
Intergovernmental Receivable	77,468	85,961	63,631	228,210	455,270
Prepaid Items	6,805	3,754	4,495	1,717	16,771
<i>Total Assets</i>	<u>\$1,624,838</u>	<u>\$1,682,090</u>	<u>\$1,907,080</u>	<u>\$951,577</u>	<u>\$6,165,585</u>
Liabilities					
Accounts Payable	\$453	\$567	\$992	\$482	\$2,494
Accrued Wages	5,057	19,723	20,064	3,478	48,322
Intergovernmental Payable	1,287	9,438	10,148	885	21,758
Unearned Revenue	0	0	0	3,716	3,716
<i>Total Liabilities</i>	<u>6,797</u>	<u>29,728</u>	<u>31,204</u>	<u>8,561</u>	<u>76,290</u>
Deferred Inflows of Resources					
Property Taxes	601,877	1,297,427	982,270	186,955	3,068,529
Unavailable Revenue	91,774	135,442	179,312	234,460	640,988
<i>Total Deferred Inflows of Resources</i>	<u>693,651</u>	<u>1,432,869</u>	<u>1,161,582</u>	<u>421,415</u>	<u>3,709,517</u>
Fund Balances					
Nonspendable	6,805	3,754	4,495	1,717	16,771
Restricted	0	215,739	709,799	518,884	1,444,422
Committed	0	0	0	1,000	1,000
Assigned	899,737	0	0	0	899,737
Unassigned	17,848	0	0	0	17,848
<i>Total Fund Balances</i>	<u>924,390</u>	<u>219,493</u>	<u>714,294</u>	<u>521,601</u>	<u>2,379,778</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$1,624,838</u>	<u>\$1,682,090</u>	<u>\$1,907,080</u>	<u>\$951,577</u>	<u>\$6,165,585</u>

See accompanying notes to the basic financial statements

City of Cortland, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2020*

Total Governmental Fund Balances	\$2,379,778
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,344,746
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent Property Taxes	109,897
Local Permissive Taxes	42,944
Charges for Services	78,219
Intergovernmental	<u>409,928</u>
Total	640,988
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(638)
The net pension asset, net pension liability and net OPEB liability are not due and payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.	
Net Pension Asset	3,238
Deferred Outflows - Pension	777,294
Deferred Outflows - OPEB	513,015
Net Pension Liability	(4,021,757)
Net OPEB Liability	(899,144)
Deferred Inflows - Pension	(840,685)
Deferred Inflows - OPEB	<u>(277,363)</u>
Total	(4,745,402)
Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.	
General Obligation Bonds Payable	(135,505)
OPWC Loans Payable	(211,284)
Compensated Absences	<u>(325,148)</u>
Total	<u>(671,937)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$3,947,535</u></u>

See accompanying notes to the basic financial statements

City of Cortland, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

	General	Police Levy	Fire Levy	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$551,415	\$1,113,527	\$984,525	\$0	\$2,649,467
Local Permissive Taxes	0	0	0	113,063	113,063
Charges for Services	69,556	0	361,711	0	431,267
Licenses and Permits	83,437	0	0	0	83,437
Fines and Forfeitures	3,268	0	0	292	3,560
Intergovernmental	218,468	295,966	213,296	954,333	1,682,063
Interest	32,208	0	0	3,551	35,759
Contributions and Donations	0	150	4,742	0	4,892
Other	43,484	1,584	984	329	46,381
<i>Total Revenues</i>	<u>1,001,836</u>	<u>1,411,227</u>	<u>1,565,258</u>	<u>1,071,568</u>	<u>5,049,889</u>
Expenditures					
Current:					
General Government	593,888	0	0	211,686	805,574
Security of Persons and Property	79,623	1,442,168	1,408,467	1,042	2,931,300
Public Health Services	25,441	0	0	0	25,441
Leisure Time Activities	36,177	0	0	0	36,177
Community Environment	12,324	0	0	0	12,324
Transportation	0	0	0	565,695	565,695
Basic Utility Services	7,527	0	0	0	7,527
Capital Outlay	0	0	0	258,563	258,563
Debt Service:					
Principal Retirement	7,546	42,580	12,500	0	62,626
Interest and Fiscal Charges	0	1,784	3,647	0	5,431
<i>Total Expenditures</i>	<u>762,526</u>	<u>1,486,532</u>	<u>1,424,614</u>	<u>1,036,986</u>	<u>4,710,658</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	239,310	(75,305)	140,644	34,582	339,231
Other Financing Sources (Uses)					
Sale of Capital Assets	0	2,009	0	0	2,009
<i>Net Change in Fund Balance</i>	239,310	(73,296)	140,644	34,582	341,240
<i>Fund Balances Beginning of Year</i>	<u>685,080</u>	<u>292,789</u>	<u>573,650</u>	<u>487,019</u>	<u>2,038,538</u>
<i>Fund Balances End of Year</i>	<u>\$924,390</u>	<u>\$219,493</u>	<u>\$714,294</u>	<u>\$521,601</u>	<u>\$2,379,778</u>

See accompanying notes to the basic financial statements

City of Cortland, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2020*

Net Change in Fund Balances - Total Governmental Funds \$341,240

*Amounts reported for governmental activities in the statement
of activities are different because*

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

Capital Asset Additions	661,200	
Current Year Depreciation	<u>(595,723)</u>	
Total		65,477

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (1,901)

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

Delinquent Property Taxes	(7,583)	
Local Permissive Taxes	(7,958)	
Charges for Services	22,893	
Intergovernmental	<u>(5,679)</u>	
Total		1,673

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

Pension	361,613	
OPEB	<u>7,412</u>	
Total		369,025

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

Pension	(479,323)	
OPEB	<u>(125,668)</u>	
Total		(604,991)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 62,626

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 22,075

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (30)

Change in Net Position of Governmental Activities \$255,194

See accompanying notes to the basic financial statements

City of Cortland, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$531,422	\$528,445	\$551,415	\$22,970
Charges for Services	70,218	69,825	68,255	(1,570)
Licenses and Permits	80,250	79,800	83,437	3,637
Fines and Forfeitures	3,520	3,500	3,421	(79)
Intergovernmental	202,773	201,637	217,956	16,319
Interest	33,186	33,000	32,208	(792)
Other	6,727	6,689	43,480	36,791
<i>Total Revenues</i>	<u>928,096</u>	<u>922,896</u>	<u>1,000,172</u>	<u>77,276</u>
Expenditures				
Current:				
General Government	1,132,642	1,132,642	592,882	539,760
Security of Persons and Property	174,498	169,298	79,623	89,675
Public Health Services	29,100	29,100	25,441	3,659
Leisure Time Activities	38,500	38,500	36,865	1,635
Community Environment	98,050	98,050	13,103	84,947
Basic Utility Services	99,623	99,623	7,527	92,096
Principal Retirement	15,100	15,100	7,546	7,554
<i>Total Expenditures</i>	<u>1,587,513</u>	<u>1,582,313</u>	<u>762,987</u>	<u>819,326</u>
<i>Net Change in Fund Balance</i>	(659,417)	(659,417)	237,185	896,602
<i>Fund Balance Beginning of Year</i>	619,403	619,403	619,403	0
Prior Year Encumbrances Appropriated	43,150	43,150	43,150	0
<i>Fund Balance End of Year</i>	<u>\$3,136</u>	<u>\$3,136</u>	<u>\$899,738</u>	<u>\$896,602</u>

See accompanying notes to the basic financial statements

City of Cortland, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Levy Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,107,393	\$1,107,393	\$1,113,527	\$6,134
Intergovernmental	213,000	213,000	295,966	82,966
Contributions and Donations	1,000	1,000	150	(850)
Other	1,000	1,000	1,561	561
<i>Total Revenues</i>	<i>1,322,393</i>	<i>1,322,393</i>	<i>1,411,204</i>	<i>88,811</i>
Expenditures				
Current:				
Security of Persons and Property	1,582,676	1,582,676	1,439,753	142,923
Principal Retirement	46,500	46,500	42,580	3,920
Interest and Fiscal Charges	2,100	2,100	1,784	316
<i>Total Expenditures</i>	<i>1,631,276</i>	<i>1,631,276</i>	<i>1,484,117</i>	<i>147,159</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(308,883)</i>	<i>(308,883)</i>	<i>(72,913)</i>	<i>235,970</i>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	2,009	2,009
<i>Net Change in Fund Balance</i>	<i>(308,883)</i>	<i>(308,883)</i>	<i>(70,904)</i>	<i>237,979</i>
<i>Fund Balance Beginning of Year</i>	<i>271,936</i>	<i>271,936</i>	<i>271,936</i>	<i>0</i>
Prior Year Encumbrances Appropriated	36,947	36,947	36,947	0
<i>Fund Balance End of Year</i>	<i>\$0</i>	<i>\$0</i>	<i>\$237,979</i>	<i>\$237,979</i>

See accompanying notes to the basic financial statements

City of Cortland, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Levy Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$985,642	\$985,642	\$984,525	(\$1,117)
Charges for Services	409,424	409,424	371,758	(37,666)
Intergovernmental	120,000	120,000	213,296	93,296
Contributions and Donations	500	500	4,742	4,242
Other	0	0	1,852	1,852
<i>Total Revenues</i>	<u>1,515,566</u>	<u>1,515,566</u>	<u>1,576,173</u>	<u>60,607</u>
Expenditures				
Current:				
Security of Persons and Property	2,040,832	2,040,832	1,456,793	584,039
Principal Retirement	12,500	12,500	12,500	0
Interest and Fiscal Charges	5,000	5,000	3,647	1,353
<i>Total Expenditures</i>	<u>2,058,332</u>	<u>2,058,332</u>	<u>1,472,940</u>	<u>585,392</u>
<i>Net Change in Fund Balance</i>	(542,766)	(542,766)	103,233	645,999
<i>Fund Balance Beginning of Year</i>	547,553	547,553	547,553	0
Prior Year Encumbrances Appropriated	4,053	4,053	4,053	0
<i>Fund Balance End of Year</i>	<u>\$8,840</u>	<u>\$8,840</u>	<u>\$654,839</u>	<u>\$645,999</u>

See accompanying notes to the basic financial statements

City of Cortland, Ohio
Statement of Fund Net Position
Enterprise Funds
December 31, 2020

	Water	Sewer	Total
Assets			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$769,072	\$969,353	\$1,738,425
Accounts Receivable	243,345	312,123	555,468
Prepaid Items	2,432	2,432	4,864
<i>Total Current Assets</i>	<u>1,014,849</u>	<u>1,283,908</u>	<u>2,298,757</u>
<i>Noncurrent Assets:</i>			
Net Pension Asset	1,753	1,753	3,506
Nondepreciable Capital Assets	44,400	687	45,087
Depreciable Capital Assets, Net	6,584,594	3,536,433	10,121,027
<i>Total Noncurrent Assets</i>	<u>6,630,747</u>	<u>3,538,873</u>	<u>10,169,620</u>
<i>Total Assets</i>	<u>7,645,596</u>	<u>4,822,781</u>	<u>12,468,377</u>
Deferred Outflows of Resources			
Pension	58,762	58,757	117,519
OPEB	39,596	39,593	79,189
<i>Total Deferred Outflows of Resources</i>	<u>98,358</u>	<u>98,350</u>	<u>196,708</u>
Liabilities			
<i>Current Liabilities:</i>			
Accounts Payable	878	234	1,112
Contracts Payable	117,674	0	117,674
Accrued Wages	4,899	4,895	9,794
Intergovernmental Payable	1,247	48,539	49,786
Accrued Interest Payable	11,606	0	11,606
Compensated Absences Payable	4,299	4,299	8,598
OPWC Loans Payable	197,531	0	197,531
OWDA Loans Payable	59,713	0	59,713
<i>Total Current Liabilities</i>	<u>397,847</u>	<u>57,967</u>	<u>455,814</u>
<i>Long-Term Liabilities:</i>			
Compensated Absences Payable	21,372	21,372	42,744
OPWC Loans Payable	3,041,658	0	3,041,658
OWDA Loans Payable	714,005	0	714,005
Net Pension Liability	321,551	321,551	643,102
Net OPEB Liability	214,757	214,757	429,514
<i>Total Long-Term Liabilities</i>	<u>4,313,343</u>	<u>557,680</u>	<u>4,871,023</u>
<i>Total Liabilities</i>	<u>4,711,190</u>	<u>615,647</u>	<u>5,326,837</u>
Deferred Inflows of Resources			
Pension	75,332	75,332	150,664
OPEB	35,348	35,348	70,696
<i>Total Deferred Inflows of Resources</i>	<u>110,680</u>	<u>110,680</u>	<u>221,360</u>
Net Position			
Net Investment in Capital Assets	2,498,413	3,537,120	6,035,533
Unrestricted	423,671	657,684	1,081,355
<i>Total Net Position</i>	<u>\$2,922,084</u>	<u>\$4,194,804</u>	<u>\$7,116,888</u>

See accompanying notes to the basic financial statements

City of Cortland, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Enterprise Funds
For the Year Ended December 31, 2020*

	Water	Sewer	Total
Operating Revenues			
Charges for Services	\$949,593	\$1,178,103	\$2,127,696
Tap-In Fees	34,743	12,870	47,613
Other	22,784	146	22,930
<i>Total Operating Revenues</i>	<u>1,007,120</u>	<u>1,191,119</u>	<u>2,198,239</u>
Operating Expenses			
Personal Services	455,903	467,173	923,076
Materials and Supplies	54,499	28,765	83,264
Contractual Services	115,910	536,250	652,160
Depreciation	216,778	198,028	414,806
<i>Total Operating Expenses</i>	<u>843,090</u>	<u>1,230,216</u>	<u>2,073,306</u>
<i>Operating Income (Loss)</i>	<u>164,030</u>	<u>(39,097)</u>	<u>124,933</u>
Non-Operating Revenues (Expenses)			
Capital Grants	32,444	35,412	67,856
Interest and Fiscal Charges	(23,649)	0	(23,649)
<i>Total Non-Operating Expenses</i>	<u>8,795</u>	<u>35,412</u>	<u>44,207</u>
<i>Change in Net Position</i>	172,825	(3,685)	169,140
<i>Net Position Beginning of Year</i>	<u>2,749,259</u>	<u>4,198,489</u>	<u>6,947,748</u>
<i>Net Position End of Year</i>	<u>\$2,922,084</u>	<u>\$4,194,804</u>	<u>\$7,116,888</u>

See accompanying notes to the basic financial statements

City of Cortland, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2020

	Water	Sewer	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$927,268	\$1,150,026	\$2,077,294
Tap In Fees	34,743	12,870	47,613
Other Operating Revenues	22,725	143	22,868
Cash Payments to Suppliers for Materials and Supplies	(54,946)	(29,542)	(84,488)
Cash Payments for Employee Services and Benefits	(420,858)	(432,261)	(853,119)
Cash Payments for Contractual Services	(77,307)	(528,569)	(605,876)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>431,625</u>	<u>172,667</u>	<u>604,292</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(646,471)	(27,309)	(673,780)
Capital Grants	32,444	35,412	67,856
OPWC Loans Issued	586,941	0	586,941
Principal Paid on OPWC Loans	(92,645)	0	(92,645)
Principal Paid on OWDA Loans	(57,847)	0	(57,847)
Interest Paid on OWDA Loans	(24,516)	0	(24,516)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(202,094)</u>	<u>8,103</u>	<u>(193,991)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	229,531	180,770	410,301
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>539,541</u>	<u>788,583</u>	<u>1,328,124</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$769,072</u></u>	<u><u>\$969,353</u></u>	<u><u>\$1,738,425</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating Income (Loss)	<u>\$164,030</u>	<u>(\$39,097)</u>	<u>\$124,933</u>
Adjustments:			
Depreciation	216,778	198,028	414,806
(Increase) Decrease in Assets and Deferred Outflows:			
Accounts Receivable	(22,384)	(28,080)	(50,464)
Prepaid Items	(1,407)	(1,407)	(2,814)
Net Pension Asset	(255)	(255)	(510)
Deferred Outflow - Pension	79,784	79,787	159,571
Deferred Outflow - OPEB	34,488	34,489	68,977
Increase (Decrease) in Liabilities and Deferred Inflows:			
Accounts Payable	(6,354)	(1,955)	(8,309)
Contracts Payable	45,917	0	45,917
Accrued Wages	1,345	1,235	2,580
Intergovernmental Payable	342	10,581	10,923
Compensated Absences Payable	(13,989)	(13,989)	(27,978)
Net Pension Liability	7,284	7,284	14,568
Net OPEB Liability	13,067	13,067	26,134
Deferred Inflows - Pension	(62,836)	(62,836)	(125,672)
Deferred Inflows - OPEB	(24,185)	(24,185)	(48,370)
<i>Total Adjustments</i>	<u>267,595</u>	<u>211,764</u>	<u>479,359</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>\$431,625</u></u>	<u><u>\$172,667</u></u>	<u><u>\$604,292</u></u>

See accompanying notes to the basic financial statements

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 1 - Reporting Entity

The City of Cortland (the “City”) was incorporated under the laws of the State of Ohio in 1852, and adopted its first charter in 1981. The Charter provides for a Mayor-Council form of government. The Mayor is elected for a four-year term and the seven Council Members are elected at large for four year staggered terms.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Cortland, this includes the agencies and departments that provide the following services: police protection, firefighting and prevention, street maintenance and repairs, building inspection, water and wastewater treatment. The operation of each of these activities is directly controlled by Council through the budgetary process.

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

The Lakeview Local School District has been excluded from the reporting entity because the City is not financially accountable for this organization nor does the City approve the budget, the levying of taxes or the issuance of debt for this organization.

The City participates in the Eastgate Regional Council of Governments. This is a jointly governed organization and is presented in Note 15 to the basic financial statements.

The City’s management believes these financial statements present all activities for which the City is financially accountable.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

Basis of Presentation

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

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Government-wide Financial Statements The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

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

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

Fund Accounting

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

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

General Fund The general fund accounts for and reports all financial resources except those required to be accounted for and reported 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.

Police Levy Fund The police levy special revenue fund is used to account for and report restricted property taxes for police equipment and for salaries of the policemen.

Fire Levy Fund The fire levy special revenue fund is used to account for and report restricted property taxes for fire equipment and for salaries of firemen.

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

Enterprise Funds - Enterprise funds may be used to account for and report any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water Fund The water fund accounts for and reports the provision of water service to the residents and commercial users located within the City.

Sewer Fund The sewer fund accounts for and reports the provisions of sanitary sewer services to the residents and commercial users located within the City.

Measurement Focus

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

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

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

Basis of Accounting

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

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes and grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2020, but which were levied to finance 2021 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, local permissive taxes, charges for services and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 15. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13)

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Pensions/Other Postemployment Benefits (OPEB)

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

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2020 amounted to \$32,208 which includes \$24,314 assigned from other City funds.

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

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 at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition value as of the date received. The City maintains a capitalization threshold of two thousand five hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Description	Governmental Activities Estimated Lives	Business Type Activities Estimated Lives
Buildings and Improvements	20 - 50 years	n/a
Furniture, Fixtures and Equipment	5 - 20 years	5 - 20 years
Vehicles	5 - 20 years	5 - 20 years
Infrastructure:		
Roads	10 years	n/a
Storm Sewers	50 years	n/a
Sidewalks	40 years	n/a
Curbs	50 years	n/a
Water and Sewer Lines	n/a	50 years

The City's infrastructure consists of roads, storm sewers, sidewalks, curbs and water and sewer lines and includes infrastructure acquired prior to December 31, 1980.

Interfund Balances

Deferred inflows of resources and deferred outflows of resources from the change in internal proportionate share related to pension items are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination payments and those the City has identified as probable of receiving payment in the future (those employees who will be eligible to receive termination payments within the next five years). The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees after ten years of service.

Accrued Liabilities and Long-Term Obligations

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

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

Fund Balance

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

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

Assigned: Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance or by State Statute. State statute authorizes the Finance Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenues and appropriations in 2021's budget.

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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 fund balance.

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net position restricted for other purposes include resources restricted for law enforcement education, drug enforcement and repair and maintenance of state highways. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services, tap-in fees and other for water and sewer services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as nonoperating.

Estimates

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

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level for all funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control. Authority to further allocate Council appropriations within funds (except the general fund) and within departments within the general fund departments has been given to the Finance Director.

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

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

Note 3 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances (Non-GAAP Basis) - Budget and Actual are presented in the basic financial statements for the general fund and major special revenue funds. The major differences between the budget basis and the GAAP Basis (generally accepted accounting principles) are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Unrecorded cash represents amounts received and not reported by the City on the operating statements (budget), but reported on the GAAP basis operating statements.
4. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general and major special revenue funds:

Net Change in Fund Balances

	General	Police Levy	Fire Levy
GAAP Basis	\$239,310	(\$73,296)	\$140,644
Net Adjustments for Revenue Accruals	(1,664)	(23)	9,674
Beginning Unrecorded Cash	0	0	1,241
Net Adjustments for Expenditure Accruals	(461)	9,815	7,435
Encumbrances	0	(7,400)	(55,761)
Budget Basis	<u>\$237,185</u>	<u>(\$70,904)</u>	<u>\$103,233</u>

Note 4 - Fund Balances

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

Fund Balances	General	Police Levy	Fire Levy	Other Governmental Funds	Total
<i>Nonspendable</i>					
Prepays	\$6,805	\$3,754	\$4,495	\$1,717	\$16,771
<i>Restricted for</i>					
Public Safety	0	215,739	709,799	228	925,766
Street Maintenance	0	0	0	395,747	395,747
Community Improvement	0	0	0	114,537	114,537
Capital Improvements	0	0	0	8,372	8,372
<i>Total Restricted</i>	<u>0</u>	<u>215,739</u>	<u>709,799</u>	<u>518,884</u>	<u>1,444,422</u>
<i>Committed to</i>					
Capital Improvements	0	0	0	1,000	1,000
<i>Assigned to</i>					
2021 Operations	899,737	0	0	0	899,737
<i>Unassigned</i>					
	17,848	0	0	0	17,848
<i>Total Fund Balances</i>	<u>\$924,390</u>	<u>\$219,493</u>	<u>\$714,294</u>	<u>\$521,601</u>	<u>\$2,379,778</u>

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 5 - Deposits

Monies held by the City are classified by State statute into three categories.

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of settlement, 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

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

Note 6 - 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 were 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 currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2020 public utility property taxes which became a lien December 31, 2019, are levied after October 1, 2020, and are collected in 2021 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2020, was \$21.96 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2020 property tax receipts were based are as follows:

Real Property	\$137,513,140
Public Utility Personal Property	<u>2,777,130</u>
Total	<u><u>\$140,290,270</u></u>

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

Note 7 - Receivables

Receivables at December 31, 2020, primarily consisted of taxes, accounts (billings for user charged services including unbilled utility services) and intergovernmental receivables arising from grants, entitlements and shared revenues.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Homestead and Rollback	\$191,860
Gasoline Tax	186,776
Local Government	47,222
Auto License	29,323
Trumbull County Central District Court	89
Total	<u><u>\$455,270</u></u>

Note 8 - Contingencies

Grants

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

Litigation

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

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 9 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2020, the City contracted with several companies for various types of insurance as follows:

Public Entities Pool of Ohio	Commercial Automobile	\$2,000,000
	Public Officials Liability	2,000,000
	Commercial Property	9,541,496
	Inland Marine	789,915
	Employee Dishonesty	10,000
	Forgery	10,000
	Theft, Disappearance and Destruction:	10,000
Cincinnati Insurance Company	Bonds - Employees and Officials	25,000

Claims have not exceeded this coverage in any of the past three years and there have been no significant reductions in commercial coverage in any of the past three years.

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

Note 10 - Long-term Obligations

The original issuance amounts for the City's long-term obligations are as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Year of Maturity</u>
Business-Type Activities			
<i>Ohio Public Works Commission Loans</i>			
<i>from Direct Borrowings:</i>			
Southern Waterline - 2007	0%	328,900	2028
North High Street II Waterline - 2009	0%	482,800	2030
Willow Park Tank Replacement - 2009	0%	878,000	2032
North Wellfield Interconnect - 2011	0%	264,768	2032
Downtown Waterline Replacement - 2013	0%	417,800	2034
Downtown Waterline Replacement Phase II - 2014	0%	407,996	2036
Downtown Waterline Replacement Phase III - 2015	0%	325,759	2037
South Mecca Waterline Replacement - 2016	0%	599,756	2039
North Mecca Waterline Replacement - 2019	0%	511,759	N/A
Cedar Drive Waterline Replacement - 2019	0%	244,850	2,040
<i>Ohio Water Development Authority Loan</i>			
<i>from Direct Borrowings:</i>			
Water Storage Tank - 2010	3.20%	1,233,794	2031
Governmental Activities			
<i>General Obligation Bonds from Direct Placements:</i>			
Vehicle Acquisition Bonds, Series 2018	3.29%	138,075	2021
Ambulance Acquisition Bonds, Series 2017	2.56%	136,000	2027
<i>Ohio Public Works Commission Loans</i>			
<i>from Direct Borrowings:</i>			
South Colonial Storm Sewer - 2014	0%	301,835	2034

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Changes in long-term obligations of the City during 2020 were as follows:

	Outstanding 12/31/2019	Additions	Reductions	Outstanding 12/31/2020	Due Within One Year
Business Type Activities					
OPWC Loans from Direct Borrowings					
Southern Waterline	\$131,560	\$0	\$8,223	\$123,337	\$16,445
North High Street II Waterline	253,470	0	12,070	241,400	24,140
Willow Park Tank Replacement	548,750	0	21,950	526,800	43,900
North Wellfield Interconnect	165,480	0	6,619	158,861	13,238
Downtown Waterline Replacement	302,905	0	10,445	292,460	20,890
Downtown Waterline Replacement Phase II	326,397	0	10,200	316,197	20,400
Downtown Waterline Replacement Phase III	276,895	0	8,144	268,751	16,288
South Mecca Waterline Replacement	569,768	0	14,994	554,774	29,988
North Mecca Waterline Replacement	19,350	492,409	0	511,759	0
Cedar Drive Waterline Replacement	150,318	94,532	0	244,850	12,242
<i>Total OPWC Loans</i>	<u>2,744,893</u>	<u>586,941</u>	<u>92,645</u>	<u>3,239,189</u>	<u>197,531</u>
OWDA Loans from Direct Borrowings					
Water Storage Tank	831,565	0	57,847	773,718	59,713
Other Long-Term Liabilities					
Net Pension Liability OPERS:					
Water	423,407	0	101,856	321,551	0
Sewer	423,407	0	101,856	321,551	0
<i>Total Net Pension Liability</i>	<u>846,814</u>	<u>0</u>	<u>203,712</u>	<u>643,102</u>	<u>0</u>
Net OPEB Liability OPERS:					
Water	193,387	21,370	0	214,757	0
Sewer	193,387	21,370	0	214,757	0
<i>Total Net OPEB Liability</i>	<u>386,774</u>	<u>42,740</u>	<u>0</u>	<u>429,514</u>	<u>0</u>
Compensated Absences	79,320	28,520	56,498	51,342	8,598
<i>Total Business Type Activities</i>	<u>\$4,889,366</u>	<u>\$658,201</u>	<u>\$410,702</u>	<u>\$5,136,865</u>	<u>\$265,842</u>
Governmental Type Activities					
General Obligation Bonds from Direct Placements					
Vehicle Acquisition Bonds, Series 2018	\$78,385	\$0	\$42,580	\$35,805	\$35,805
Ambulance Acquisition Bonds, Series 2017	112,200	0	12,500	99,700	12,900
<i>Total General Obligation Bonds</i>	<u>190,585</u>	<u>0</u>	<u>55,080</u>	<u>135,505</u>	<u>48,705</u>
OPWC Loans from Direct Borrowings					
South Colonial Storm Sewer	218,830	0	7,546	211,284	15,092
Net Pension Liability					
OPERS	781,675	0	188,038	593,637	0
OP&F	4,645,360	0	1,217,240	3,428,120	0
<i>Total Net Pension Liability</i>	<u>5,427,035</u>	<u>0</u>	<u>1,405,278</u>	<u>4,021,757</u>	<u>0</u>
Net OPEB Liability					
OPERS	357,023	39,458	0	396,481	0
OP&F	518,253	0	15,590	502,663	0
<i>Total Net OPEB Liability</i>	<u>875,276</u>	<u>39,458</u>	<u>15,590</u>	<u>899,144</u>	<u>0</u>
Other Long-Term Liabilities					
Compensated Absences	347,223	50,902	72,977	325,148	66,608
<i>Total Governmental Type Activities</i>	<u>\$7,058,949</u>	<u>\$90,360</u>	<u>\$1,556,471</u>	<u>\$5,592,838</u>	<u>\$130,405</u>

City of Cortland, Ohio
Notes to the Basic Financial Statements
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Business-type OPWC loans will be paid from water and sewer enterprise fund user service charges. The governmental OPWC loan will be repaid from the general fund with storm sewer service charges. The OWDA loan will be paid from the water enterprise fund user service charges. The vehicle acquisition bonds will be paid from the police levy special revenue fund. The ambulance acquisition bonds will be paid from the fire levy special revenue fund. Compensated absences will be paid from the general fund, the street construction, maintenance and repair, police levy and fire levy special revenue funds and the water and sewer enterprise funds. The City pays obligations related to employee compensation from the fund benefitting from their service. There are no repayment schedules for the net pension liability and net OPEB liability. However, employer pension and OPEB contributions are made from the following funds: the general fund, the street construction, maintenance and repair, police levy and fire levy special revenue funds and the water and sewer enterprise funds. For additional information related to the net pension and net OPEB liabilities see Notes 12 and 13.

On August 20, 2018, the City issued \$138,075 in vehicle acquisition bonds through direct placement for the purpose of acquiring and equipping police cruisers. The bonds were issued at an interest rate of 3.29 percent. The bonds were issued for a three year period with final maturity on September 4, 2021.

On November 29, 2017, the City issued \$136,000 in ambulance acquisition bonds through direct placement for the purpose of acquiring an ambulance. The bonds were issued at an interest rate of 2.56 percent. The bonds were issued for a ten year period with final maturity on November 1, 2027.

In 2020, the City was approved for a \$575,000 OPWC loan for the North Mecca Waterline Replacement project. As of December 31, 2020, the City has drawn down proceeds of \$511,759. This loan has not been finalized and therefore the repayment schedule is not included in the schedule of debt service payments.

The City's outstanding OPWC loans from direct borrowings of \$3,239,189 related to business-type activities and \$211,284 related to governmental activities contain provisions that in the event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

The City's outstanding OWDA loans from direct borrowings of \$773,718 related to business-type activities contain provisions that in the event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

The City's overall legal debt margin was \$14,383,689 at December 31, 2020. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2020, are as follows:

Business Type Activities

Year	From Direct Borrowings		
	OPWC Loans	OWDA Loan	
	Principal	Principal	Interest
2021	\$197,531	\$59,713	\$22,767
2022	197,533	61,639	20,961
2023	197,532	63,627	19,097
2024	197,532	65,679	17,173
2025	197,532	67,798	15,187
2026-2030	946,547	373,238	43,829
2031-2035	592,424	82,024	1,850
2036-2040	200,799	0	0
Total	\$2,727,430	\$773,718	\$140,864

Governmental Activities

Year	From Direct Borrowings	From Direct Placements	
	OPWC Loans	G.O. Bonds	
	Principal	Principal	Interest
2021	\$15,092	\$48,705	\$3,733
2022	15,092	13,300	2,821
2023	15,092	13,800	2,389
2024	15,092	14,200	1,940
2025	15,092	14,700	1,479
2026-2030	75,459	30,800	1,511
2031-2035	60,365	0	0
Total	\$211,284	\$135,505	\$13,873

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 11 - Capital Assets

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

	Balance 12/31/19	Additions	Reductions	Balance 12/31/20
Governmental Activities:				
Capital assets not being depreciated				
Land	\$17,576	\$0	\$0	\$17,576
Construction in progress	7,973	64,781	(15,945)	56,809
Total capital assets not being depreciated	<u>25,549</u>	<u>64,781</u>	<u>(15,945)</u>	<u>74,385</u>
Capital assets being depreciated				
Buildings and Improvements	1,144,446	15,965	0	1,160,411
Furniture, Fixtures and Equipment	1,009,067	135,501	(21,695)	1,122,873
Vehicles	1,552,481	146,386	(19,012)	1,679,855
Infrastructure:				
Roads	4,620,788	314,512	(140,662)	4,794,638
Storm Sewers	2,211,693	0	0	2,211,693
Sidewalks	1,054,282	0	0	1,054,282
Curbs	829,353	0	0	829,353
Total capital assets being depreciated	<u>12,422,110</u>	<u>612,364</u>	<u>(181,369)</u>	<u>12,853,105</u>
Accumulated depreciation				
Buildings and Improvements	(693,670)	(25,784)	0	(719,454)
Furniture, Fixtures and Equipment	(641,770)	(72,559)	21,695	(692,634)
Vehicles	(961,623)	(101,553)	17,111	(1,046,065)
Infrastructure:				
Roads	(3,136,302)	(308,649)	140,662	(3,304,289)
Storm Sewers	(396,988)	(44,234)	0	(441,222)
Sidewalks	(182,475)	(26,357)	0	(208,832)
Curbs	(153,661)	(16,587)	0	(170,248)
Total accumulated depreciation	<u>(6,166,489)</u>	<u>(595,723) *</u>	<u>179,468</u>	<u>(6,582,744)</u>
Capital assets being depreciated, net	<u>6,255,621</u>	<u>16,641</u>	<u>(1,901)</u>	<u>6,270,361</u>
Governmental activities capital assets, net	<u>\$6,281,170</u>	<u>\$81,422</u>	<u>(\$17,846)</u>	<u>\$6,344,746</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$90,816
Security of Persons and Property	124,439
Transportation	335,952
Basic Utility Services	<u>44,516</u>
Total	<u>\$595,723</u>

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

	Balance 12/31/19	Additions	Reductions	Balance 12/31/20
Business type Activities:				
Capital assets not being depreciated				
Land	\$45,087	\$0	\$0	\$45,087
Construction in progress	21,258	621,070	(642,328)	0
Total capital assets not being depreciated	66,345	621,070	(642,328)	45,087
Capital assets being depreciated				
Furniture, Fixtures and Equipment	275,864	9,556	0	285,420
Vehicles	399,751	46,970	0	446,721
Infrastructure:				
Water Lines	9,651,822	638,512	(20,121)	10,270,213
Sewer Lines	9,149,575	0	0	9,149,575
Total capital assets being depreciated	19,477,012	695,038	(20,121)	20,151,929
Accumulated depreciation				
Furniture, Fixtures and Equipment	(180,724)	(14,200)	0	(194,924)
Vehicles	(276,231)	(37,766)	0	(313,997)
Infrastructure:				
Water Lines	(3,608,625)	(198,476)	20,121	(3,786,980)
Sewer Lines	(5,570,637)	(164,364)	0	(5,735,001)
Total accumulated depreciation	(9,636,217)	(414,806)	20,121	(10,030,902)
Capital assets being depreciated, net	9,840,795	280,232	0	10,121,027
Business type Activities capital assets, net	\$9,907,140	\$901,302	(\$642,328)	\$10,166,114

Note 12 – Defined Benefit Pension Plans

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

Net Pension Liability (Asset) /Net OPEB Liability

The net pension liability (asset) and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/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 pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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 and OPEB.

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

The proportionate share of each plan's unfunded benefits is presented as a *net pension/OPEB asset* or a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For 2020, the City's contractually required contribution was \$116,504 for the traditional plan, \$0 for the combined plan and \$1,020 for the member-directed plan. Of these amounts, \$4,346 is reported as an intergovernmental payable for the traditional plan, \$0 for the combined plan, and \$38 for the member-directed plan.

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

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Comprehensive Annual Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

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

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

	Police	Firefighters
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 %

City of Cortland, Ohio
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Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$305,691 for 2020. Of this amount, \$13,222 is reported as an intergovernmental payable.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 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 (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

	<u>Traditional Plan</u>	<u>Combined Plan</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.006257%	0.003235%	0.0508885%	
Prior Measurement Date	<u>0.005946%</u>	<u>0.003237%</u>	<u>0.0569100%</u>	
Change in Proportionate Share	<u>0.000311%</u>	<u>-0.000002%</u>	<u>-0.006022%</u>	
Proportionate Share of the:				
Net Pension Liability	\$1,236,739	\$0	\$3,428,120	\$4,664,859
Net Pension Asset	0	(6,744)	0	(6,744)
Pension Expense	231,313	978	355,571	587,862

2020 pension expense for the member-directed defined contribution plan was \$1,020. The aggregate pension expense for all pension plans was \$588,882 for 2020.

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

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	\$0	\$0	\$129,765	\$129,765
Changes of assumptions	66,057	696	84,151	150,904
Changes in proportion and differences between City contributions and proportionate share of contributions	51,825	1,470	125,688	178,983
City contributions subsequent to the measurement date	116,504	0	305,691	422,195
Total Deferred Outflows of Resources	\$234,386	\$2,166	\$645,295	\$881,847
Deferred Inflows of Resources				
Differences between expected and actual experience	\$15,636	\$1,583	\$176,802	\$194,021
Net difference between projected and actual earnings on pension plan investments	246,702	875	165,606	413,183
Changes in proportion and differences between City contributions and proportionate share of contributions	0	0	371,179	371,179
Total Deferred Inflows of Resources	\$262,338	\$2,458	\$713,587	\$978,383

\$422,195 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 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:

Year Ending December 31:	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
2021	\$8,326	(\$214)	(\$90,641)	(\$82,529)
2022	(65,041)	(198)	(56,602)	(121,841)
2023	10,214	46	33,917	44,177
2024	(97,955)	(274)	(217,383)	(315,612)
2025	0	125	(43,274)	(43,149)
Thereafter	0	223	0	223
Total	(\$144,456)	(\$292)	(\$373,983)	(\$518,731)

City of Cortland, Ohio
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Actuarial Assumptions - OPERS

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

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

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	1.4 percent, simple through 2020, then 2.15 percent, simple	1.4 percent, simple through 2020, then 2.15 percent, simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 3 percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 the 2.15 percent simple.

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

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2 percent for 2019.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
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 7.2 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
City's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	\$2,039,782	\$1,236,739	\$514,826
OPERS Combined Plan	(4,076)	(6,744)	(8,670)

City of Cortland, Ohio
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Actuarial Assumptions – OP&F

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

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, 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	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2019, are summarized below:

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

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 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$4,751,257	\$3,428,120	\$2,321,449

Note 13 – Defined Benefit OPEB Plans

See Note 12 for a description of the net OPEB liability

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, 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 with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS Comprehensive Annual 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 the statutory authority allowing public employers to fund

City of Cortland, Ohio
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For the Year Ended December 31, 2020

postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2020, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. 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 percent.

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

The City's contractually required contribution was \$408 for 2020. Of this amount, \$15 is reported as an intergovernmental payable.

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

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

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

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$7,216 for 2020. Of this amount, \$313 is reported as an intergovernmental payable.

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

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

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.005980%	0.0508885%	
Prior Measurement Date	<u>0.005705%</u>	<u>0.0569100%</u>	
Change in Proportionate Share	<u>0.000275%</u>	<u>-0.0060215%</u>	
			<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$825,995	\$502,663	\$1,328,658
OPEB Expense	\$103,221	\$69,400	\$172,621

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$22	\$0	\$22
Changes of assumptions	130,746	293,876	424,622
Changes in proportion and differences between City contributions and proportionate share of contributions	26,172	124,063	150,235
City contributions subsequent to the measurement date	408	7,216	7,624
Total Deferred Outflows of Resources	<u>\$157,348</u>	<u>\$425,155</u>	<u>\$582,503</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$75,540	\$54,057	\$129,597
Changes of assumptions	0	107,125	107,125
Net difference between projected and actual earnings on OPEB plan investments	42,059	23,131	65,190
Changes in proportion and differences between City contributions and proportionate share of contributions	628	35,818	36,446
Total Deferred Inflows of Resources	<u>\$118,227</u>	<u>\$220,131</u>	<u>\$338,358</u>

\$7,624 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 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2021	\$38,083	\$38,452	\$76,535
2022	18,565	38,452	57,017
2023	35	43,196	43,231
2024	(17,970)	35,716	17,746
2025	0	38,283	38,283
Thereafter	0	3,709	3,709
Total	<u>\$38,713</u>	<u>\$197,808</u>	<u>\$236,521</u>

Actuarial Assumptions – OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as

City of Cortland, Ohio
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understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.75 percent
Prior Measurement date	3.71 percent
Health Care Cost Trend Rate:	
Current measurement date	10.0 percent, initial 3.50 percent, ultimate in 2030
Prior Measurement date	7.25 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

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

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

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

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plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. For each major asset class that is included in the Health Care’s portfolio’s target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

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

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

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

	<u>1% Decrease (2.16%)</u>	<u>Current Discount Rate (3.16%)</u>	<u>1% Increase (4.16%)</u>
City's proportionate share of the net OPEB liability	\$1,080,945	\$825,995	\$621,860

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care

City of Cortland, Ohio
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Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$801,619	\$825,995	\$850,057

Changes between Measurement Date and Reporting Date

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

Actuarial Assumptions – OP&F

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

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

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

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Single discount rate:	
Current measurement date	3.56 percent
Prior measurement date	4.66 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

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

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

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

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

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

Discount Rate For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For

City of Cortland, Ohio
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For the Year Ended December 31, 2020

2018, the total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, and the municipal bond rate was applied to all health care costs after that date.

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

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
City's proportionate share of the net OPEB liability	\$623,270	\$502,663	\$402,447

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

Note 14 - Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned unused vacation time is paid upon termination of employment. Employees earn sick leave at different rates depending upon length of service and type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, the fire department, service department and all other employees can be paid a maximum of 480 hours of accumulated, unused sick leave. Police department employees are paid up to a maximum of 50 percent or 480 hours, whichever is higher, of their accumulated, unused sick leave.

Note 15 - Jointly Governed Organization

City of Cortland, Ohio
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For the Year Ended December 31, 2020

Eastgate Regional Council of Governments

The Eastgate Regional Council of Governments (ERCG) is a jointly governed organization that is committed to fostering cooperative regional efforts in the planning, programming and implementation of public sector activities. ERCG has forty-eight participating members. These include representatives from Trumbull County and Mahoning County, township trustees and officials from participating cities and villages. The operation of ERCG is controlled by a general policy board which consists of a representative from each participant. Each member's degree of control is limited to its representation on the board. Funding comes from each of the participants. For 2020, the City contributed \$6,400 to the Eastgate Regional Council of Governments. For more information contact John R. Getchey, executive director, at 5121 Mahoning Avenue, Youngstown, Ohio 44515.

Note 16 - Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At the year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental Funds	
Police Levy	\$7,400
Fire Levy	55,761
Other Governmental Funds	<u>14,196</u>
Total Governmental Funds	<u><u>\$77,357</u></u>

Note 17 – Change in Accounting Principle

For 2020, the City implemented the Governmental Accounting Standard Board's (GASB) Statement No. 83, Certain Asset Retirement Obligations. GASB Statement 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. These changes were incorporated in the City's 2020 financial statements; however, there was no effect on beginning net position.

Note 18 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The City's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. Additional funding will be available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

During 2020, the City received \$374,684 as an on-behalf of grant from another government. These amounts are recorded in the Coronavirus Relief Special Revenue Fund.

Required Supplementary Information

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

	2020	2019	2018	2017
City's Proportion of the Net Pension Liability	0.006257%	0.005946%	0.005745%	0.005921%
City's Proportionate Share of the Net Pension Liability	\$1,236,739	\$1,628,489	\$901,279	\$1,344,558
City's Covered Payroll	\$880,350	\$803,157	\$759,254	\$765,400
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	140.48%	202.76%	118.71%	175.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%	77.25%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information.

2016	2015	2014
0.005954%	0.006308%	0.006308%
\$1,031,310	\$760,815	\$743,631
\$741,031	\$773,317	\$652,104
139.17%	98.38%	114.04%
81.08%	86.45%	86.36%

City of Cortland, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Asset
Ohio Public Employees Retirement System - Combined Plan
Last Three Years (1)

	2020	2019	2018
City's Proportion of the Net Pension Asset	0.003235%	0.003237%	0.004472%
City's Proportionate Share of the Net Pension Asset	\$6,744	\$3,621	\$6,089
City's Covered Payroll	\$14,400	\$13,843	\$18,315
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-46.83%	-26.16%	-33.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	145.28%	126.64%	137.28%

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

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

See accompanying notes to the required supplementary information.

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

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.005980%	0.005705%	0.005560%	0.005770%
City's Proportionate Share of the Net OPEB Liability	\$825,995	\$743,797	\$603,775	\$582,790
City's Covered Payroll	\$903,550	\$827,400	\$787,169	\$797,942
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	91.42%	89.90%	76.70%	73.04%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information.

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

	2020	2019	2018	2017
City's Proportion of the Net Pension Liability	0.0508885%	0.0569100%	0.0537440%	0.0534300%
City's Proportionate Share of the Net Pension Liability	\$3,428,120	\$4,645,360	\$3,298,513	\$3,384,202
City's Covered Payroll	\$1,068,144	\$1,295,614	\$1,149,749	\$1,186,883
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	320.94%	358.55%	286.89%	285.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.89%	63.07%	70.91%	68.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information.

2016	2015	2014
0.0549470%	0.0569253%	0.0569253%
\$3,534,779	\$2,948,968	\$2,772,441
\$1,104,393	\$1,117,497	\$1,002,768
320.07%	263.89%	276.48%
66.77%	71.71%	73.00%

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

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.0508885%	0.0569100%	0.0537440%	0.0534300%
City's Proportionate Share of the Net OPEB Liability	\$502,663	\$518,253	\$3,045,060	\$2,536,202
City's Covered Payroll	\$1,068,144	\$1,295,614	\$1,149,749	\$1,186,883
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	47.06%	40.00%	264.85%	213.69%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.08%	46.57%	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information.

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City of Cortland, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System
Last Eight Years (1)

	2020	2019	2018
Net Pension Liability - Traditional Plan			
Contractually Required Contribution	\$116,504	\$123,249	\$112,442
Contributions in Relation to the Contractually Required Contribution	<u>(116,504)</u>	<u>(123,249)</u>	<u>(112,442)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$832,171	\$880,350	\$803,157
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net Pension Liability - Combined Plan			
Contractually Required Contribution	\$0	\$2,016	\$1,938
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>(2,016)</u>	<u>(1,938)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$0	\$14,400	\$13,843
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability - OPEB Plan (2)			
Contractually Required Contribution	\$408	\$352	\$416
Contributions in Relation to the Contractually Required Contribution	<u>(408)</u>	<u>(352)</u>	<u>(416)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (3)	\$842,371	\$903,550	\$827,400
OPEB Contributions as a Percentage of Covered Payroll	<u>0.05%</u>	<u>0.04%</u>	<u>0.05%</u>

(1) Information prior to 2013 is not available for traditional and combined plans.

(2) Information prior to 2016 is not available for the OPEB plan.

(3) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See accompanying notes to the required supplementary information.

2017	2016	2015	2014	2013
\$98,703	\$91,848	\$88,924	\$92,798	\$84,773
(98,703)	(91,848)	(88,924)	(92,798)	(84,773)
\$0	\$0	\$0	\$0	\$0
\$759,254	\$765,400	\$741,033	\$773,317	\$652,100
13.00%	12.00%	12.00%	12.00%	13.00%
\$2,381	\$2,897	\$1,657	\$1,902	\$1,738
(2,381)	(2,897)	(1,657)	(1,902)	(1,738)
\$0	\$0	\$0	\$0	\$0
\$18,315	\$24,142	\$13,808	\$15,850	\$13,369
13.00%	12.00%	12.00%	12.00%	13.00%
\$8,160	\$16,127			
(8,160)	(16,127)			
\$0	\$0			
\$787,169	\$797,942			
1.04%	2.02%			

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

	2020	2019	2018	2017
Net Pension Liability				
Contractually Required Contribution	\$305,691	\$227,814	\$273,674	\$244,327
Contributions in Relation to the Contractually Required Contribution	<u>(305,691)</u>	<u>(227,814)</u>	<u>(273,674)</u>	<u>(244,327)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$1,443,152	\$1,068,144	\$1,295,614	\$1,149,749
Pension Contributions as a Percentage of Covered Payroll	<u>21.18%</u>	<u>21.33%</u>	<u>21.12%</u>	<u>21.25%</u>
Net OPEB Liability				
Contractually Required Contribution	\$7,216	\$5,341	\$6,478	\$5,749
Contributions in Relation to the Contractually Required Contribution	<u>(7,216)</u>	<u>(5,341)</u>	<u>(6,478)</u>	<u>(5,749)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.68%</u>	<u>21.83%</u>	<u>21.62%</u>	<u>21.75%</u>

(1) The City's Covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$253,394	\$235,730	\$238,229	\$181,676	\$153,278	\$161,665
<u>(253,394)</u>	<u>(235,730)</u>	<u>(238,229)</u>	<u>(181,676)</u>	<u>(153,278)</u>	<u>(161,665)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,186,883	\$1,104,393	\$1,117,497	\$1,002,768	\$1,012,026	\$1,076,167
<u>21.35%</u>	<u>21.34%</u>	<u>21.32%</u>	<u>18.12%</u>	<u>15.15%</u>	<u>15.02%</u>
\$5,934	\$5,522	\$5,587	\$36,267	\$68,312	\$72,641
<u>(5,934)</u>	<u>(5,522)</u>	<u>(5,587)</u>	<u>(36,267)</u>	<u>(68,312)</u>	<u>(72,641)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>3.62%</u>	<u>6.75%</u>	<u>6.75%</u>
<u>21.85%</u>	<u>21.84%</u>	<u>21.82%</u>	<u>21.74%</u>	<u>21.90%</u>	<u>21.77%</u>

City of Cortland, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2020

Changes in Assumptions – OPERS Pension– Traditional Plan

Amounts reported beginning in 2019 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in prior years are presented below:

	2019	2018 and 2017	2016 and prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:			
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	see below	see below	see below
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

The assumptions related COLA or Ad Hoc COLA for Post-January 7, 2013 Retirees are as follows:

COLA or Ad Hoc COLA, Post-January 7, 2013 Retirees:

2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

City of Cortland, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2020

Changes in Assumptions – OPERS Pension – Combined Plan

For 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013 retirees as the Traditional Plan. For 2019, the investment rate of return changed from 7.5 percent to 7.2 percent.

Changes in Assumptions – OP&F Pension

Amounts reported beginning in 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below:

	<u>Beginning in 2018</u>	<u>2017 and Prior</u>
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Amounts reported beginning in 2018 use valuation, 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/Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

Amounts reported beginning in 2018 use valuation, 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/Conduent Modified 2016 Improvement Scale.

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

City of Cortland, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2020

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

Changes in Assumptions – OPERS OPEB

Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2020	10.0 percent, initial 3.5 percent, ultimate in 2030
2019	10.0 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028

Changes in Assumptions – OP&F OPEB

Single Discount Rate:	
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

Changes in Benefit Terms – OP&F OPEB

For 2019, OP&F recognized a change in benefit terms. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years.

City of Cortland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

The discussion and analysis of the City of Cortland's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and notes to enhance their understanding of the City's financial performance.

Financial Highlights

- The City's net position increased during 2019 due primarily to increases in net capital assets, decreases in debt obligations and increases in net position in relation to the total effect of the net OPEB liability offset by decreases in net position in relation to the total effect of the net pension liability.
- The City received additional OPWC monies in 2019 for the Cedar Waterline Replacement and the North Mecca Waterline Replacement project which were not yet finalized during the year.
- In 2019, capital asset additions consisted of construction in progress, buildings and improvements, purchase of furniture, fixtures, equipment, vehicles and infrastructure improvements to roads, storm sewers and waterlines.

Using this Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the City of Cortland's basic financial statements. These statements are organized so that readers can understand the City as a financial whole or as an entire operating entity. The statements then proceed to provide an increasing detailed look at specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City. They provide both an aggregate view of the City's finances in addition to a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

The City of Cortland as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

The government-wide financial statements are designed to provide readers with a broad overview of the City of Cortland's finances, in a manner similar to private sector businesses.

The *statement of net position* presents information on all of the City of Cortland's assets, deferred outflows, liabilities and deferred inflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Cortland is improving or deteriorating.

City of Cortland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

The *statement of activities* presents information showing how the government's net position changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Cortland that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Cortland include general government, security of persons and property, leisure time activities, community environment, transportation and basic utility services. General government activities include those of the City Council, the mayor's office, the finance department, the law director and the service director as well as other administrative services. Security of persons and property activities include those of the police and fire department. The leisure time activities include the upkeep and maintenance of the City's park while community environment includes the planning and zoning and public lands and buildings departments. Transportation includes all street construction, maintenance and repair activities and basic utility services include the maintenance and upkeep of all storm sewers located within the City. The business-type activities include water and sewer.

Reporting the City's Most Significant Funds

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

Governmental funds Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on balances of expendable resources available at the end of the year.

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

The City of Cortland maintains fourteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund and the police levy and fire levy special revenue funds, all of which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation.

The City of Cortland adopts an annual appropriated budget for each of its funds to demonstrate budgetary compliance.

City of Cortland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

Proprietary Funds The City of Cortland's proprietary funds consist of water and sewer. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations as they are considered major funds.

Notes to the Basic Financial Statements The notes provide additional information that are essential for a full understanding of the data provided in the government-wide and fund financial statements.

The City as a Whole

As noted earlier, the Statement of Net Position looks at the City as a whole. The following table provides a summary of the City's net position for 2019 compared to 2018.

*Note, amounts presented are after deferred inflows and deferred outflows related to the change in internal proportionate share of pension-related items have been eliminated.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019*	2018*	2019*	2018*
Assets						
Current and Other Assets	\$5,359,453	\$5,446,730	\$1,837,060	\$1,444,718	\$7,196,513	\$6,891,448
Capital Assets, Net	6,281,170	5,661,107	9,907,140	10,034,339	16,188,310	15,695,446
<i>Total Assets</i>	<u>11,640,623</u>	<u>11,107,837</u>	<u>11,744,200</u>	<u>11,479,057</u>	<u>23,384,823</u>	<u>22,586,894</u>
Deferred Outflows of Resources						
Pension	1,565,679	576,911	255,705	137,896	1,793,916	706,960
OPEB	497,691	331,704	30,516	29,519	509,403	357,716
<i>Total Deferred Outflows of Resources</i>	<u>2,063,370</u>	<u>908,615</u>	<u>286,221</u>	<u>167,415</u>	<u>2,303,319</u>	<u>1,064,676</u>
Liabilities						
Current Liabilities	53,022	83,185	139,728	70,691	192,750	153,876
Long-Term Liabilities						
Due Within One Year	147,084	142,912	260,382	259,574	407,466	402,486
Due in More Than One Year						
Net Pension Liability	5,427,035	3,677,050	846,814	522,742	6,273,849	4,199,792
Net OPEB Liability	875,276	3,298,645	386,774	350,190	1,262,050	3,648,835
Other Amounts	609,554	666,871	3,395,396	3,455,336	4,004,950	4,122,207
<i>Total Liabilities</i>	<u>\$7,111,971</u>	<u>\$7,868,663</u>	<u>\$5,029,094</u>	<u>\$4,658,533</u>	<u>\$12,141,065</u>	<u>\$12,527,196</u>

City of Cortland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

Table 1
Net Position (continued)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019*	2018*	2019*	2018*
Deferred Inflows of Resources						
Property Taxes	\$2,627,447	\$2,613,440	\$0	\$0	\$2,627,447	\$2,613,440
Pension	104,583	345,510	35,557	124,138	112,672	461,801
OPEB	167,651	72,150	18,022	26,086	166,869	94,729
<i>Total Deferred Inflows of Resources</i>	<u>2,899,681</u>	<u>3,031,100</u>	<u>53,579</u>	<u>150,224</u>	<u>2,906,988</u>	<u>3,169,970</u>
Net Position						
Net Investment in Capital Assets	5,871,755	5,302,886	6,258,925	6,386,221	12,130,680	11,689,107
Restricted for:						
Capital Projects	8,372	146,626	0	0	8,372	146,626
Police	288,731	326,298	0	0	288,731	326,298
Fire	552,726	503,031	0	0	552,726	503,031
Street Construction, Maintenance and Repair	464,941	384,747	0	0	464,941	384,747
Other Purposes	259,550	236,081	0	0	259,550	236,081
Unrestricted (Deficit)	<u>(3,753,734)</u>	<u>(5,782,980)</u>	<u>688,823</u>	<u>451,494</u>	<u>(3,064,911)</u>	<u>(5,331,486)</u>
<i>Total Net Position</i>	<u>\$3,692,341</u>	<u>\$1,116,689</u>	<u>\$6,947,748</u>	<u>\$6,837,715</u>	<u>\$10,640,089</u>	<u>\$7,954,404</u>

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2019. 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, 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.

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

City of Cortland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

Total assets for governmental activities increased due to the increase in capital assets net of depreciation as the City continues to upgrade, replace and improve roads, storm sewers and various vehicles and equipment. The decrease in long-term liabilities can be attributed to decreases in the net OPEB liability attributed to the City as well as reductions in debt obligations due to the continued pay down of debt obligations offset by increases in the net pension liability.

Total assets for business-type activities increased due to an increase in cash and cash equivalents as cash basis revenues from utility charges for services continued to exceed cash basis expenses. Total liabilities for business-type activities increased due to increases in contracts payable and increases in the net pension liability.

The City of Cortland was able to report positive balances for combined net position as well as for the separate governmental and business-type activities.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the year. The following table provides a summary of the City's changes in net position for 2019 compared to 2018.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for Services	\$512,576	\$628,318	\$2,057,362	\$2,013,184	\$2,569,938	\$2,641,502
Operating Grants and Contributions	849,096	768,479	0	0	849,096	768,479
Capital Grants	431,434	125,790	5,211	0	436,645	125,790
Total Program Revenues	<u>1,793,106</u>	<u>1,522,587</u>	<u>2,062,573</u>	<u>2,013,184</u>	<u>3,855,679</u>	<u>3,535,771</u>
General Revenues						
Property Taxes	2,693,133	2,563,640	0	0	2,693,133	2,563,640
Local Permissive Taxes	89,716	132,106	0	0	89,716	132,106
Grants and Entitlements	189,384	308,742	0	0	189,384	308,742
Investment Earnings	30,837	14,273	0	0	30,837	14,273
Gain on Sale of Capital Assets	0	13,884	0	1,337	0	15,221
Other	18,163	41,652	30,381	28,543	48,544	70,195
Total General Revenues	<u>3,021,233</u>	<u>3,074,297</u>	<u>30,381</u>	<u>29,880</u>	<u>3,051,614</u>	<u>3,104,177</u>
<i>Total Revenues</i>	<u>4,814,339</u>	<u>4,596,884</u>	<u>2,092,954</u>	<u>2,043,064</u>	<u>6,907,293</u>	<u>6,639,948</u>
Program Expenses						
General Government	870,361	664,307	0	0	870,361	664,307
Security of Persons and Property	790,599	3,024,087	0	0	790,599	3,024,087
Public Health and Welfare	18,101	18,129	0	0	18,101	18,129
Leisure Time Activities	30,744	31,330	0	0	30,744	31,330
Community Environment	24,052	29,407	0	0	24,052	29,407
Transportation	454,790	567,927	0	0	454,790	567,927
Basic Utility Services	42,538	40,636	0	0	42,538	40,636
Interest and Fiscal Charges	7,502	5,472	0	0	7,502	5,472
Water	0	0	851,916	879,201	851,916	879,201
Sewer	0	0	1,131,005	1,162,195	1,131,005	1,162,195
Total Program Expenses	<u>2,238,687</u>	<u>4,381,295</u>	<u>1,982,921</u>	<u>2,041,396</u>	<u>4,221,608</u>	<u>6,422,691</u>
Increase (Decrease) in Net Position	2,575,652	215,589	110,033	1,668	2,685,685	217,257
Net Position Beginning - Restated	1,116,689	901,100	6,837,715	6,836,047	7,954,404	7,737,147
Net Position End of Year	<u>\$3,692,341</u>	<u>\$1,116,689</u>	<u>\$6,947,748</u>	<u>\$6,837,715</u>	<u>\$10,640,089</u>	<u>\$7,954,404</u>

City of Cortland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

Governmental Activities

For governmental activities, there was an increase in program revenues for 2019. Charges for services decreased due to lower cash collections for ambulance runs. Operating grants went up as a result of an increase in State grant monies. The increase in capital grants was due to an increase in ODOT grant monies received in 2019. The general revenues decreased due to decreases intergovernmental grant monies offset by increases in property taxes. Unrestricted grant monies decreased due to decreases in the general fund other local grants. The increase in property taxes was attributable to higher delinquent collections.

A review of table 2 also shows that program expenses decreased from 2018 levels. Changes in the net OPEB liability resulted in a \$2,743,909 decrease in program expenses. Changes in the net pension liability resulted in a \$429,490 increase in program expenses.

For 2019, OP&F recognized a change in benefit terms for their OPEB plan. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years. These changes contributed to OPEB expense decreasing from \$245,706 in 2018 to a negative OPEB expense of \$2,488,346 for 2019.

Program expenses excluding amounts related to the net pension/OPEB liabilities and related payments subsequent increased by \$171,811 due to an increase in general government resulting from a lower amount of costs being capitalized rather than expensed in 2019.

Overall, the largest expense for the City in 2019 was general government. Expenses for general government represent the overhead costs of running the City and the support services provided for the other governmental activities. These include the costs of council, the mayor, administration, law, service and finance.

One of the largest expenses for the City is security of persons and property for the police and fire departments. The Cortland City Police Department is a full-service law enforcement agency consisting of 10 full-time and 6 part-time police officers. The department offers 24-hour patrol and citizen complaint response, as well as providing additional services such as vacation checks, business and citizen programs, fingerprinting, etc. The Cortland City Fire Department currently operates out of one station house. The department responds to nearly 900 emergencies each year. The department is staffed by 10 full-time and approximately 20 part-time employees. The full time daily staff of six firefighter/paramedics is supplemented by part time and volunteer crews.

Another major expense is transportation. The City uses a combination of the State license and gasoline excise taxes to fund a ten person service department.

Table 3 presents a summary for governmental activities, the total cost of services and the net cost of providing these services.

City of Cortland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

	Governmental Activities			
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2019	2018	2019	2018
General Government	\$870,361	\$664,307	(\$741,484)	(\$537,074)
Security of Persons and Property	790,599	3,024,087	(48,589)	(2,133,966)
Public Health and Welfare	18,101	18,129	(14,707)	(14,338)
Leisure Time Activities	30,744	31,330	(26,515)	(12,779)
Community Environment	24,052	29,407	(19,542)	(23,258)
Transportation	454,790	567,927	446,720	(92,489)
Basic Utility Services	42,538	40,636	(33,962)	(39,332)
Interest and Fiscal Charges	7,502	5,472	(7,502)	(5,472)
Total	\$2,238,687	\$4,381,295	(\$445,581)	(\$2,858,708)

Business-Type Activities

Business-type activities include the City's water and sewer operations. In 2019, charges for services continued to be the major revenue source for business-type activities. On the expense side, the largest expenses are for contractual services and employee payroll and benefits.

The City's Funds

A review of the City's governmental funds provides information on near-term flows and balances of expendable resources and serves as a useful measure of a government's net resources. Governmental fund information can be found beginning with the balance sheet and is accounted for using the modified accrual basis of accounting.

The City's major governmental funds are the general fund and police levy and fire levy special revenue funds. The general fund saw an increase in fund balance due to an increase in cash resulting from lowered expenditures due to cost cutting measures. The police levy special revenue fund saw a decrease in fund balance due to the spending down of general obligation bonds on capital purchases. The fire levy special revenue fund saw an increase in fund balance due to a drop in security of persons and property expenditures.

Proprietary funds are accounted for on an accrual basis.

Enterprise funds are handled in the same manner as governmental funds, with the intent to ensure the strength of these funds. These funds had total operating revenue of \$2,087,743 and total operating expenses of \$1,951,424. The City has the power to increase revenue through water and sewer rate increases.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. One of the most significant budgeted funds is the general fund. During the course of 2019, the City amended its general fund budget on various occasions. All recommendations for budget changes are presented to the Finance Committee of Council before going to City Council for legislative action to approve the change. Budgetary changes normally consist of requests for capital expenditures as the City of Cortland operates with a legal level of control at the object level for all funds. This allows the City to make small interdepartmental budget modifications within departments. The general fund supports many major activities that include parks and storm sewers, in addition to being the funding source for legislative and administrative activities. The general fund is monitored closely with regard to revenues and related expenditures.

City of Cortland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

There was a slight increase in revenues from the final budget to actual, but overall individual revenue projections were very close to estimates. There was a decrease in actual expenditures made compared to the final budget. This was due to restricting spending as much as possible in the City's efforts to maintain a positive fund balance.

Capital Assets

For 2019, the primary additions for governmental activities included construction in progress for telephone system upgrades, buildings and improvements, the purchase of vehicles, furniture, fixtures, equipment and infrastructure improvements to roads and storm sewers.

Capital asset additions for business-type activities included construction in progress for telephone system upgrades and waterline replacement projects, purchase of equipment and infrastructure improvements to waterlines.

Additional information concerning the City's capital assets can be found in Note 9 to the basic financial statements.

Long-term Obligations

The City's long-term obligations consist of general obligation bonds, OPWC loans, OWDA loans, net pension liability, net OPEB liability and compensated absences. Business-type OPWC loans and OWDA loans are for infrastructure improvement projects and will be repaid using water and sewer revenues. The governmental general obligation bonds are for the purchase of police and fire vehicles and will be repaid from the police levy fund and the fire improvement fund. The governmental OPWC loan is for storm sewer improvements and will be repaid from the general fund using storm sewer charges. During 2019, the City received proceeds for the North Mecca Waterline Replacement and the Cedar Drive Waterline Replacement from OPWC.

The City's overall legal debt margin was \$14,272,477 at December 31, 2019. Additional information concerning debt issuances can be found in Note 11 to the basic financial statements.

Current Financial Related Activities

The general fund continues to fund the administrative costs and activities such as parks and storm sewers. Since the City of Cortland does not have an income tax, but relies upon tax levies for the majority of its funding, the flow of revenue has remained fairly constant. These revenues will continue to be closely monitored and reviewed to ensure continued financial stability as we go forward. The City also continues to maintain infrastructure by making various improvements when needed. In 2019, the City made improvements to roads and storm sewers. The City is dedicated to careful financial planning to remain financially strong.

Contacting the City's Finance Department

This financial report is designed to provide the citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact Patti Gibson, Finance Director, City of Cortland, 400 N. High St. Cortland, Ohio 44410. Phone: (330) 637-4263, Fax: (330) 637-4778 or email pgibson@cityofcortland.org.

City of Cortland, Ohio
Statement of Net Position
December 31, 2019

	Governmental Activities	Business-Type Activities*	Total*
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,961,404	\$1,328,124	\$3,289,528
Accounts Receivable	110,186	505,004	615,190
Intergovernmental Receivable	463,974	0	463,974
Local Permissive Taxes Receivable	60,882	0	60,882
Prepaid Items	16,341	2,050	18,391
Property Taxes Receivable	2,744,927	0	2,744,927
Net Pension Asset	1,739	1,882	3,621
Nondepreciable Capital Assets	25,549	66,345	91,894
Depreciable Capital Assets, Net	6,255,621	9,840,795	16,096,416
<i>Total Assets</i>	<u>11,640,623</u>	<u>11,744,200</u>	<u>23,384,823</u>
Deferred Outflows of Resources			
Pension	1,565,679	255,705	1,793,916
OPEB	497,691	30,516	509,403
<i>Total Deferred Outflows of Resources</i>	<u>2,063,370</u>	<u>286,221</u>	<u>2,303,319</u>
Liabilities			
Accounts Payable	5,649	9,421	15,070
Contracts Payable	0	71,757	71,757
Accrued Wages	30,071	7,214	37,285
Intergovernmental Payable	16,694	38,863	55,557
Accrued Interest Payable	608	12,473	13,081
Long-Term Liabilities:			
Due Within One Year	147,084	260,382	407,466
Due In More Than One Year			
Net Pension Liability (See Note 12)	5,427,035	846,814	6,273,849
Net OPEB Liability (See Note 13)	875,276	386,774	1,262,050
Other Amounts	609,554	3,395,396	4,004,950
<i>Total Liabilities</i>	<u>7,111,971</u>	<u>5,029,094</u>	<u>12,141,065</u>
Deferred Inflows of Resources			
Property Taxes	2,627,447	0	2,627,447
Pension	104,583	35,557	112,672
OPEB	167,651	18,022	166,869
<i>Total Deferred Inflows of Resources</i>	<u>2,899,681</u>	<u>53,579</u>	<u>2,906,988</u>
Net Position			
Net Investment in Capital Assets	5,871,755	6,258,925	12,130,680
Restricted for:			
Capital Projects	8,372	0	8,372
Police	288,731	0	288,731
Fire	552,726	0	552,726
Street Construction, Maintenance and Repair	464,941	0	464,941
Other Purposes	259,550	0	259,550
Unrestricted (Deficit)	<u>(3,753,734)</u>	<u>688,823</u>	<u>(3,064,911)</u>
<i>Total Net Position</i>	<u>\$3,692,341</u>	<u>\$6,947,748</u>	<u>\$10,640,089</u>

* After deferred inflows and deferred outflows related to the change in internal proportionate share of pension-related items have been eliminated.

See accompanying notes to the basic financial statements

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

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants
Governmental Activities:				
General Government	\$870,361	\$128,877	\$0	\$0
Security of Persons and Property	790,599	363,990	378,020	0
Public Health and Welfare	18,101	3,394	0	0
Leisure Time Activities	30,744	3,229	0	1,000
Community Environment	24,052	4,510	0	0
Transportation	454,790	0	471,076	430,434
Basic Utility Services	42,538	8,576	0	0
Interest and Fiscal Charges	7,502	0	0	0
<i>Total Governmental Activities</i>	<u>2,238,687</u>	<u>512,576</u>	<u>849,096</u>	<u>431,434</u>
Business-Type Activities:				
Water	851,916	928,865	0	5,211
Sewer	1,131,005	1,128,497	0	0
<i>Total Business-Type Activities</i>	<u>1,982,921</u>	<u>2,057,362</u>	<u>0</u>	<u>5,211</u>
<i>Total</i>	<u>\$4,221,608</u>	<u>\$2,569,938</u>	<u>\$849,096</u>	<u>\$436,645</u>

General Revenues

Property Taxes Levied for:
General Purposes
Police Levy
Fire Levy
Local Permissive Taxes
Grants and Entitlements not Restricted
to Specific Programs
Interest
Other

Total General Revenues

Change in Net Position

Net Position Beginning of Year - Restated (See Note 17)

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$741,484)	\$0	(\$741,484)
(48,589)	0	(48,589)
(14,707)	0	(14,707)
(26,515)	0	(26,515)
(19,542)	0	(19,542)
446,720	0	446,720
(33,962)	0	(33,962)
(7,502)	0	(7,502)
<u>(445,581)</u>	<u>0</u>	<u>(445,581)</u>
0	82,160	82,160
0	(2,508)	(2,508)
<u>0</u>	<u>79,652</u>	<u>79,652</u>
<u>(445,581)</u>	<u>79,652</u>	<u>(365,929)</u>
545,891	0	545,891
1,174,158	0	1,174,158
973,084	0	973,084
89,716	0	89,716
189,384	0	189,384
30,837	0	30,837
18,163	30,381	48,544
<u>3,021,233</u>	<u>30,381</u>	<u>3,051,614</u>
2,575,652	110,033	2,685,685
<u>1,116,689</u>	<u>6,837,715</u>	<u>7,954,404</u>
<u>\$3,692,341</u>	<u>\$6,947,748</u>	<u>\$10,640,089</u>

City of Cortland, Ohio

*Balance Sheet
Governmental Funds
December 31, 2019*

	General	Police Levy	Fire Levy	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$662,553	\$308,883	\$552,847	\$437,121	\$1,961,404
Receivables:					
Property Taxes	570,138	1,154,223	1,020,566	0	2,744,927
Local Permissive Taxes	0	0	0	60,882	60,882
Accounts	14,691	65	95,403	27	110,186
Intergovernmental Receivable	77,516	73,894	63,886	248,678	463,974
Prepaid Items	6,082	5,005	3,208	2,046	16,341
<i>Total Assets</i>	<u>\$1,330,980</u>	<u>\$1,542,070</u>	<u>\$1,735,910</u>	<u>\$748,754</u>	<u>\$5,357,714</u>
Liabilities					
Accounts Payable	\$2,354	\$969	\$1,664	\$662	\$5,649
Accrued Wages	3,333	12,722	12,764	1,252	30,071
Intergovernmental Payable	848	7,473	8,054	319	16,694
<i>Total Liabilities</i>	<u>6,535</u>	<u>21,164</u>	<u>22,482</u>	<u>2,233</u>	<u>52,414</u>
Deferred Inflows of Resources					
Property Taxes	545,737	1,104,823	976,887	0	2,627,447
Unavailable Revenue	93,628	123,294	162,891	259,502	639,315
<i>Total Deferred Inflows of Resources</i>	<u>639,365</u>	<u>1,228,117</u>	<u>1,139,778</u>	<u>259,502</u>	<u>3,266,762</u>
Fund Balances					
Nonspendable	6,082	5,005	3,208	2,046	16,341
Restricted	0	287,784	570,442	483,973	1,342,199
Committed	43,150	0	0	1,000	44,150
Assigned	616,266	0	0	0	616,266
Unassigned	19,582	0	0	0	19,582
<i>Total Fund Balances</i>	<u>685,080</u>	<u>292,789</u>	<u>573,650</u>	<u>487,019</u>	<u>2,038,538</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$1,330,980</u>	<u>\$1,542,070</u>	<u>\$1,735,910</u>	<u>\$748,754</u>	<u>\$5,357,714</u>

See accompanying notes to the basic financial statements

City of Cortland, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2019*

Total Governmental Fund Balances	\$2,038,538
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	6,281,170
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the fund:	
Delinquent Property Taxes	117,480
Local Permissive Taxes	50,902
Charges for Services:	55,326
Intergovernmental	<u>415,607</u>
Total	639,315
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due	(608)
The net pension asset, net pension liability and net OPEB liability are not due and payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.	
Net Pension Asset	1,739
Deferred Outflows - Pension	1,565,679
Deferred Outflows - OPEB	497,691
Net Pension Liability	(5,427,035)
Net OPEB Liability	(875,276)
Deferred Inflows - Pension	(104,583)
Deferred Inflows - OPEB	<u>(167,651)</u>
Total	(4,509,436)
Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.	
General Obligation Bonds Payable	(190,585)
OPWC Loans Payable	(218,830)
Compensated Absences	<u>(347,223)</u>
Total	<u>(756,638)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$3,692,341</u></u>

See accompanying notes to the basic financial statements

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

	General	Police Levy	Fire Levy	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$543,904	\$1,170,036	\$969,440	\$0	\$2,683,380
Local Permissive Taxes	0	0	0	115,904	115,904
Charges for Services	74,427	0	381,088	0	455,515
Licenses and Permits	81,225	0	0	0	81,225
Fines and Forfeitures	3,473	0	0	170	3,643
Intergovernmental	185,998	208,524	155,624	847,628	1,397,774
Interest	28,193	0	0	2,644	30,837
Contributions and Donations	0	13,638	355	1,000	14,993
Other	9,788	1,269	6,871	235	18,163
<i>Total Revenues</i>	<u>927,008</u>	<u>1,393,467</u>	<u>1,513,378</u>	<u>967,581</u>	<u>4,801,434</u>
Expenditures					
Current:					
General Government	687,084	0	0	0	687,084
Security of Persons and Property	56,198	1,524,727	1,408,837	4,860	2,994,622
Public Health Services	18,101	0	0	0	18,101
Leisure Time Activities	17,216	0	0	13,528	30,744
Community Environment	24,052	0	0	0	24,052
Transportation	0	0	0	461,665	461,665
Basic Utility Services	45,733	0	0	0	45,733
Capital Outlay	0	0	0	568,688	568,688
Debt Service:					
Principal Retirement	15,091	48,696	12,100	0	75,887
Interest and Fiscal Charges	0	3,733	4,040	0	7,773
<i>Total Expenditures</i>	<u>863,475</u>	<u>1,577,156</u>	<u>1,424,977</u>	<u>1,048,741</u>	<u>4,914,349</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	63,533	(183,689)	88,401	(81,160)	(112,915)
Other Financing Sources (Uses)					
Sale of Capital Assets	0	29,436	0	0	29,436
<i>Net Change in Fund Balance</i>	63,533	(154,253)	88,401	(81,160)	(83,479)
<i>Fund Balances Beginning of Year</i>	<u>621,547</u>	<u>447,042</u>	<u>485,249</u>	<u>568,179</u>	<u>2,122,017</u>
<i>Fund Balances End of Year</i>	<u>\$685,080</u>	<u>\$292,789</u>	<u>\$573,650</u>	<u>\$487,019</u>	<u>\$2,038,538</u>

See accompanying notes to the basic financial statements

City of Cortland, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2019*

Net Change in Fund Balances - Total Governmental Funds (\$83,479)

*Amounts reported for governmental activities in the statement
of activities are different because*

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

Capital Asset Additions	1,241,749	
Current Year Depreciation	<u>(572,679)</u>	
Total		669,070

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (49,007)

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

Delinquent Property Taxes	9,753	
Local Permissive Taxes	(26,188)	
Charges for Services	(27,807)	
Intergovernmental	<u>57,147</u>	
Total		12,905

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

Pension	287,941	
OPEB	<u>5,509</u>	
Total		293,450

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

Pension	(809,049)	
OPEB	<u>2,488,346</u>	
Total		1,679,297

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 75,887

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (22,742)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 271

Change in Net Position of Governmental Activities \$2,575,652

See accompanying notes to the basic financial statements

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$643,188	\$599,553	\$543,904	(\$55,649)
Charges for Services	71,688	66,825	74,422	7,597
Licenses and Permits	81,880	76,325	81,225	4,900
Fines and Forfeitures	1,180	1,100	3,530	2,430
Intergovernmental	152,474	142,130	183,544	41,414
Interest	23,601	22,000	28,193	6,193
Other	9,923	9,250	9,761	511
<i>Total Revenues</i>	<u>983,934</u>	<u>917,183</u>	<u>924,579</u>	<u>7,396</u>
Expenditures				
Current:				
General Government	1,125,446	1,039,355	716,018	323,337
Security of Persons and Property	157,441	144,213	81,198	63,015
Public Health Services	23,871	22,000	18,101	3,899
Leisure Time Activities	36,783	33,900	17,159	16,741
Community Environment	122,220	112,867	22,331	90,536
Basic Utility Services	112,244	104,761	45,733	59,028
Principal Retirement	16,384	15,100	15,091	9
<i>Total Expenditures</i>	<u>1,594,389</u>	<u>1,472,196</u>	<u>915,631</u>	<u>556,565</u>
<i>Net Change in Fund Balance</i>	(610,455)	(555,013)	8,948	563,961
<i>Fund Balance Beginning of Year</i>	580,673	580,673	580,673	0
Prior Year Encumbrances Appropriated	29,782	29,782	29,782	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$55,442</u>	<u>\$619,403</u>	<u>\$563,961</u>

See accompanying notes to the basic financial statements

City of Cortland, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Levy Fund
For the Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$1,221,337	\$1,293,318	\$1,170,036	(\$123,282)
Intergovernmental	80,741	85,500	211,771	126,271
Contributions and Donations	12,343	13,070	13,638	568
Other	1,164	1,164	1,204	40
<i>Total Revenues</i>	<u>1,315,585</u>	<u>1,393,052</u>	<u>1,396,649</u>	<u>3,597</u>
Expenditures				
Current:				
Security of Persons and Property	1,756,635	1,756,635	1,568,068	188,567
Principal Retirement	48,959	48,959	48,696	263
Interest and Fiscal Charges	4,072	4,072	3,733	339
<i>Total Expenditures</i>	<u>1,809,666</u>	<u>1,809,666</u>	<u>1,620,497</u>	<u>189,169</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(494,081)	(416,614)	(223,848)	192,766
Other Financing Sources (Uses)				
Sale of Capital Assets	27,733	29,436	29,436	0
<i>Net Change in Fund Balance</i>	(466,348)	(387,178)	(194,412)	192,766
<i>Fund Balance Beginning of Year</i>	265,963	265,963	265,963	0
Prior Year Encumbrances Appropriated	200,385	200,385	200,385	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$79,170</u>	<u>\$271,936</u>	<u>\$192,766</u>

See accompanying notes to the basic financial statements

City of Cortland, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Levy Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,216,144	\$1,096,480	\$969,440	(\$127,040)
Charges for Services	423,690	382,000	368,526	(13,474)
Intergovernmental	11,091	10,000	155,624	145,624
Contributions and Donations	555	500	355	(145)
Other	0	0	6,003	6,003
<i>Total Revenues</i>	<u>1,651,480</u>	<u>1,488,980</u>	<u>1,499,948</u>	<u>10,968</u>
Expenditures				
Current:				
Security of Persons and Property	2,118,584	1,958,412	1,420,827	537,585
Principal Retirement	13,096	12,100	12,100	0
Interest and Fiscal Charges	4,372	4,040	4,040	0
<i>Total Expenditures</i>	<u>2,136,052</u>	<u>1,974,552</u>	<u>1,436,967</u>	<u>537,585</u>
<i>Net Change in Fund Balance</i>	(484,572)	(485,572)	62,981	548,553
<i>Fund Balance Beginning of Year</i>	474,593	474,593	474,593	0
Prior Year Encumbrances Appropriated	<u>9,979</u>	<u>9,979</u>	<u>9,979</u>	<u>0</u>
<i>Fund Balance(Deficit) End of Year</i>	<u>\$0</u>	<u>(\$1,000)</u>	<u>\$547,553</u>	<u>\$548,553</u>

See accompanying notes to the basic financial statements

City of Cortland, Ohio
Statement of Fund Net Position
Enterprise Funds
December 31, 2019

	Water	Sewer	Total
Assets			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$539,541	\$788,583	\$1,328,124
Accounts Receivable	220,961	284,043	505,004
Prepaid Items	1,025	1,025	2,050
<i>Total Current Assets</i>	<u>761,527</u>	<u>1,073,651</u>	<u>1,835,178</u>
<i>Noncurrent Assets:</i>			
Net Pension Asset	941	941	1,882
Nondepreciable Capital Assets	64,704	1,641	66,345
Depreciable Capital Assets, Net	6,134,597	3,706,198	9,840,795
<i>Total Noncurrent Assets</i>	<u>6,200,242</u>	<u>3,708,780</u>	<u>9,909,022</u>
<i>Total Assets</i>	<u>6,961,769</u>	<u>4,782,431</u>	<u>11,744,200</u>
Deferred Outflows of Resources			
Pension	129,785	129,783	259,568
OPEB	16,175	16,173	32,348
<i>Total Deferred Outflows of Resources</i>	<u>145,960</u>	<u>145,956</u>	<u>291,916</u>
Liabilities			
<i>Current Liabilities:</i>			
Accounts Payable	7,232	2,189	9,421
Contracts Payable	71,757	0	71,757
Accrued Wages	3,554	3,660	7,214
Intergovernmental Payable	905	37,958	38,863
Accrued Interest Payable	12,473	0	12,473
Compensated Absences Payable	8,623	8,623	17,246
OPWC Loans Payable	185,289	0	185,289
OWDA Loans Payable	57,847	0	57,847
<i>Total Current Liabilities</i>	<u>347,680</u>	<u>52,430</u>	<u>400,110</u>
<i>Long-Term Liabilities:</i>			
Compensated Absences Payable	31,037	31,037	62,074
OPWC Loans Payable	2,559,604	0	2,559,604
OWDA Loans Payable	773,718	0	773,718
Net Pension Liability	423,407	423,407	846,814
Net OPEB Liability	193,387	193,387	386,774
<i>Total Long-Term Liabilities</i>	<u>3,981,153</u>	<u>647,831</u>	<u>4,628,984</u>
<i>Total Liabilities</i>	<u>4,328,833</u>	<u>700,261</u>	<u>5,029,094</u>
Deferred Inflows of Resources			
Pension	19,710	19,710	39,420
OPEB	9,927	9,927	19,854
<i>Total Deferred Inflows of Resources</i>	<u>29,637</u>	<u>29,637</u>	<u>59,274</u>
Net Position			
Net Investment in Capital Assets	2,551,086	3,707,839	6,258,925
Unrestricted	198,173	490,650	688,823
<i>Total Net Position</i>	<u>\$2,749,259</u>	<u>\$4,198,489</u>	<u>\$6,947,748</u>

See accompanying notes to the basic financial statements

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

	Water	Sewer	Total
Operating Revenues			
Charges for Services	\$908,340	\$1,122,557	\$2,030,897
Tap-In Fees	20,525	5,940	26,465
Other	24,823	5,558	30,381
<i>Total Operating Revenues</i>	<u>953,688</u>	<u>1,134,055</u>	<u>2,087,743</u>
Operating Expenses			
Personal Services	489,647	469,071	958,718
Materials and Supplies	42,079	23,353	65,432
Contractual Services	88,388	446,630	535,018
Depreciation	200,305	191,951	392,256
<i>Total Operating Expenses</i>	<u>820,419</u>	<u>1,131,005</u>	<u>1,951,424</u>
<i>Operating Income (Loss)</i>	<u>133,269</u>	<u>3,050</u>	<u>136,319</u>
Non-Operating Revenues (Expenses)			
Capital Grants	5,211	0	5,211
Interest and Fiscal Charges	(25,370)	0	(25,370)
Loss on Sale of Capital Assets	(6,127)	0	(6,127)
<i>Total Non-Operating Expenses</i>	<u>(26,286)</u>	<u>0</u>	<u>(26,286)</u>
<i>Change in Net Position</i>	106,983	3,050	110,033
<i>Net Position Beginning of Year</i>	<u>2,642,276</u>	<u>4,195,439</u>	<u>6,837,715</u>
<i>Net Position End of Year</i>	<u><u>\$2,749,259</u></u>	<u><u>\$4,198,489</u></u>	<u><u>\$6,947,748</u></u>

See accompanying notes to the basic financial statements

City of Cortland, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2019

	Water	Sewer	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$919,148	\$1,135,008	\$2,054,156
Tap In Fees	20,525	5,940	26,465
Other Operating Revenues	25,845	5,531	31,376
Cash Payments to Suppliers for Materials and Supplies	(41,491)	(22,435)	(63,926)
Cash Payments for Employee Services and Benefits	(414,102)	(391,197)	(805,299)
Cash Payments for Contractual Services	(94,018)	(438,621)	(532,639)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>415,907</u>	<u>294,226</u>	<u>710,133</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(195,935)	(3,492)	(199,427)
Capital Grants	5,211	0	5,211
OPWC Loans Issued	169,668	0	169,668
Principal Paid on OPWC Loans	(185,289)	0	(185,289)
Principal Paid on OWDA Loans	(56,039)	0	(56,039)
Interest Paid on OWDA Loans	(26,211)	0	(26,211)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(288,595)</u>	<u>(3,492)</u>	<u>(292,087)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	127,312	290,734	418,046
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>412,229</u>	<u>497,849</u>	<u>910,078</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$539,541</u></u>	<u><u>\$788,583</u></u>	<u><u>\$1,328,124</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating Income (Loss)	<u>\$133,269</u>	<u>\$3,050</u>	<u>\$136,319</u>
Adjustments:			
Depreciation	200,305	191,951	392,256
(Increase) Decrease in Assets and Deferred Outflows:			
Accounts Receivable	11,830	12,424	24,254
Prepaid Items	(100)	(100)	(200)
Net Pension Asset	(283)	(283)	(566)
Deferred Outflow - Pension	95,816	95,062	190,878
Deferred Outflow - OPEB	11,056	11,057	22,113
Increase (Decrease) in Liabilities and Deferred Inflows:			
Accounts Payable	(4,942)	1,534	(3,408)
Accrued Wages	893	999	1,892
Intergovernmental Payable	(3,941)	3,578	(363)
Compensated Absences Payable	4,780	7,748	12,528
Net Pension Liability	(460)	(460)	(920)
Net OPEB Liability	10,593	10,593	21,186
Deferred Inflows - Pension	(35,021)	(35,039)	(70,060)
Deferred Inflows - OPEB	(7,888)	(7,888)	(15,776)
<i>Total Adjustments</i>	<u>282,638</u>	<u>291,176</u>	<u>573,814</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>\$415,907</u></u>	<u><u>\$294,226</u></u>	<u><u>\$710,133</u></u>

See accompanying notes to the basic financial statements

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The City of Cortland (the “City”) was incorporated under the laws of the State of Ohio in 1852, and adopted its first charter in 1981. The Charter provides for a Mayor-Council form of government. The Mayor is elected for a four-year term and the seven Council Members are elected at large for four year staggered terms.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Cortland, this includes the agencies and departments that provide the following services: police protection, firefighting and prevention, street maintenance and repairs, building inspection, water and wastewater treatment. The operation of each of these activities is directly controlled by Council through the budgetary process.

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

The Lakeview Local School District has been excluded from the reporting entity because the City is not financially accountable for this organization nor does the City approve the budget, the levying of taxes or the issuance of debt for this organization.

The City participates in the Eastgate Regional Council of Governments. This is a jointly governed organization and is presented in Note 15 to the basic financial statements.

The City’s management believes these financial statements present all activities for which the City is financially accountable.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

Basis of Presentation

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

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Government-wide Financial Statements The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

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

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

Fund Accounting

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

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

General Fund The general fund accounts for and reports all financial resources except those required to be accounted for and reported 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.

Police Levy Fund The police levy special revenue fund is used to account for and report restricted property taxes for police equipment and for salaries of the policemen.

Fire Levy Fund The fire levy special revenue fund is used to account for and report restricted property taxes for fire equipment and for salaries of firemen.

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

Enterprise Funds - Enterprise funds may be used to account for and report any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water Fund The water fund accounts for and reports the provision of water service to the residents and commercial users located within the City.

Sewer Fund The sewer fund accounts for and reports the provisions of sanitary sewer services to the residents and commercial users located within the City.

Measurement Focus

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

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

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

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes and grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, local permissive taxes, charges for services and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 91. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13)

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Pensions/Other Postemployment Benefits (OPEB)

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

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2019 amounted to \$28,193 which includes \$21,982 assigned from other City funds.

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

Prepaid Items

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

Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition value as of the date received. The City maintains a capitalization threshold of two thousand five hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

Description	Governmental Activities Estimated Lives	Business Type Activities Estimated Lives
Buildings and Improvements	20 - 50 years	n/a
Furniture, Fixtures and Equipment	5 - 20 years	5 - 20 years
Vehicles	5 - 20 years	5 - 20 years
Infrastructure:		
Roads	10 years	n/a
Storm Sewers	50 years	n/a
Sidewalks	40 years	n/a
Curbs	50 years	n/a
Water and Sewer Lines	n/a	50 years

The City's infrastructure consists of roads, storm sewers, sidewalks, curbs and water and sewer lines and includes infrastructure acquired prior to December 31, 1980.

Interfund Balances

Deferred inflows of resources and deferred outflows of resources from the change in internal proportionate share related to pension items are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination payments and those the City has identified as probable of receiving payment in the future (those employees who will be eligible to receive termination payments within the next five years). The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees after ten years of service.

Accrued Liabilities and Long-Term Obligations

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

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

Fund Balance

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

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

Assigned: Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance or by State Statute. State statute authorizes the Finance Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenues and appropriations in 2020's budget.

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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 fund balance.

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net position restricted for other purposes include resources restricted for law enforcement education, drug enforcement and repair and maintenance of state highways. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services, tap-in fees and other for water and sewer services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as nonoperating.

Estimates

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

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level for all funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control. Authority to further allocate Council appropriations within funds (except the general fund) and within departments within the general fund departments has been given to the Finance Director.

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

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

Note 3 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances (Non-GAAP Basis) - Budget and Actual are presented in the basic financial statements for the general fund and major special revenue funds. The major differences between the budget basis and the GAAP Basis (generally accepted accounting principles) are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Unrecorded cash represents amounts received and not reported by the City on the operating statements (budget), but reported on the GAAP basis operating statements.
4. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general and major special revenue funds:

Net Change in Fund Balances

	General	Police Levy	Fire Levy
GAAP Basis	\$63,533	(\$154,253)	\$88,401
Net Adjustments for Revenue Accruals	(2,429)	3,182	(12,189)
Ending Unrecorded Cash	0	0	(1,241)
Net Adjustments for Expenditure Accruals	(9,006)	(6,394)	(7,937)
Encumbrances	(43,150)	(36,947)	(4,053)
Budget Basis	<u>\$8,948</u>	<u>(\$194,412)</u>	<u>\$62,981</u>

Note 4 - Fund Balances

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

Fund Balances	General	Police Levy	Fire Levy	Other Governmental Funds	Total
<i>Nonspendable</i>					
Prepays	\$6,082	\$5,005	\$3,208	\$2,046	\$16,341
<i>Restricted for</i>					
Public Safety	0	287,784	570,442	978	859,204
Street Maintenance	0	0	0	336,211	336,211
Community Improvement	0	0	0	138,412	138,412
Capital Improvements	0	0	0	8,372	8,372
<i>Total Restricted</i>	<u>0</u>	<u>287,784</u>	<u>570,442</u>	<u>483,973</u>	<u>1,342,199</u>
<i>Committed to</i>					
Contract Services	43,150	0	0	0	43,150
Capital Improvements	0	0	0	1,000	1,000
<i>Total Committed</i>	<u>43,150</u>	<u>0</u>	<u>0</u>	<u>1,000</u>	<u>44,150</u>
<i>Assigned to</i>					
2020 Operations	616,266	0	0	0	616,266
<i>Unassigned</i>	<u>19,582</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>19,582</u>
<i>Total Fund Balances</i>	<u>\$685,080</u>	<u>\$292,789</u>	<u>\$573,650</u>	<u>\$487,019</u>	<u>\$2,038,538</u>

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 5 - Deposits

Monies held by the City are classified by State statute into three categories.

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of settlement, 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

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

Note 6 - Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2019 for real and public utility property taxes represents collections of 2018 taxes.

2019 real property taxes were levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

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

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

The full tax rate for all City operations for the year ended December 31, 2019, was \$22.16 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2019 property tax receipts were based are as follows:

Real Property	\$137,208,700
Public Utility Personal Property	<u>2,618,840</u>
Total	<u><u>\$139,827,540</u></u>

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2019, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2019 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Note 7 - Receivables

Receivables at December 31, 2019, primarily consisted of taxes, accounts (billings for user charged services including unbilled utility services) and intergovernmental receivables arising from grants, entitlements and shared revenues.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Homestead and Rollback	\$165,563
Gasoline Tax	219,012
Local Government	49,491
Auto License	29,666
Trumbull County Central District Court	242
Total	<u><u>\$463,974</u></u>

Note 8 - Contingencies

Grants

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

Litigation

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

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 9 - Capital Assets

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

	Balance 12/31/18	Additions	Reductions	Balance 12/31/19
Governmental Activities:				
Capital assets not being depreciated				
Land	\$17,576	\$0	\$0	\$17,576
Construction in progress	0	7,973	0	7,973
Total capital assets not being depreciated	17,576	7,973	0	25,549
Capital assets being depreciated				
Buildings and Improvements	1,124,533	73,495	(53,582)	1,144,446
Furniture, Fixtures and Equipment	866,007	174,430	(31,370)	1,009,067
Vehicles	1,356,796	261,425	(65,740)	1,552,481
Infrastructure:				
Roads	4,679,859	647,926	(706,997)	4,620,788
Storm Sewers	2,135,193	76,500	0	2,211,693
Sidewalks	1,054,282	0	0	1,054,282
Curbs	829,353	0	0	829,353
Total capital assets being depreciated	12,046,023	1,233,776	(857,689)	12,422,110
Accumulated depreciation				
Buildings and Improvements	(721,686)	(25,566)	53,582	(693,670)
Furniture, Fixtures and Equipment	(606,948)	(61,042)	26,220	(641,770)
Vehicles	(894,697)	(88,809)	21,883	(961,623)
Infrastructure:				
Roads	(3,533,215)	(310,084)	706,997	(3,136,302)
Storm Sewers	(352,754)	(44,234)	0	(396,988)
Sidewalks	(156,118)	(26,357)	0	(182,475)
Curbs	(137,074)	(16,587)	0	(153,661)
Total accumulated depreciation	(6,402,492)	(572,679) *	808,682	(6,166,489)
Capital assets being depreciated, net	5,643,531	661,097	(49,007)	6,255,621
Governmental activities capital assets, net	\$5,661,107	\$669,070	(\$49,007)	\$6,281,170

* Depreciation expense was charged to governmental activities as follows:

General Government	\$85,697
Security of Persons and Property	107,624
Transportation	334,842
Basic Utility Services	44,516
Total	\$572,679

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

	Balance 12/31/18	Additions	Reductions	Balance 12/31/19
Business type Activities:				
Capital assets not being depreciated				
Land	\$45,087	\$0	\$0	\$45,087
Construction in progress	0	21,258	0	21,258
Total capital assets not being depreciated	45,087	21,258	0	66,345
Capital assets being depreciated				
Furniture, Fixtures and Equipment	270,788	5,076	0	275,864
Vehicles	399,751	0	0	399,751
Infrastructure:				
Water Lines	9,458,623	244,850	(51,651)	9,651,822
Sewer Lines	9,149,575	0	0	9,149,575
Total capital assets being depreciated	19,278,737	249,926	(51,651)	19,477,012
Accumulated depreciation				
Furniture, Fixtures and Equipment	(168,731)	(11,993)	0	(180,724)
Vehicles	(246,037)	(30,194)	0	(276,231)
Infrastructure:				
Water Lines	(3,468,444)	(185,705)	45,524	(3,608,625)
Sewer Lines	(5,406,273)	(164,364)	0	(5,570,637)
Total accumulated depreciation	(9,289,485)	(392,256)	45,524	(9,636,217)
Capital assets being depreciated, net	9,989,252	(142,330)	(6,127)	9,840,795
Business type Activities capital assets, net	\$10,034,339	(\$121,072)	(\$6,127)	\$9,907,140

Note 10 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2019, the City contracted with several companies for various types of insurance as follows:

Company	Type	Coverage
Public Entities Pool of Ohio	Commercial Automobile	\$2,000,000
	Public Officials Liability	2,000,000
	Commercial Property	7,078,782
	Inland Marine	718,177
	Employee Dishonesty	50,000
	Forgery	10,000
	Theft, Disappearance and Destruction:	10,000
	Bonds - Employees and Officials	25,000
Cincinnati Insurance Company		

Claims have not exceeded this coverage in any of the past three years and there have been no significant reductions in commercial coverage in any of the past three years.

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

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 11 - Long-term Obligations

The original issuance amounts for the City's long-term obligations are as follows:

Debt Issue	Interest Rate	Original Issue Amount	Year of Maturity
Business-Type Activities			
<i>Ohio Public Works Commission Loans</i>			
<i>from Direct Borrowings:</i>			
Southern Waterline - 2007	0%	328,900	2027
North High Street II Waterline - 2009	0%	482,800	2029
Willow Park Tank Replacement - 2009	0%	878,000	2031
North Wellfield Interconnect - 2011	0%	264,768	2031
Downtown Waterline Replacement - 2013	0%	417,800	2033
Downtown Waterline Replacement Phase II - 2014	0%	407,996	2035
Downtown Waterline Replacement Phase III - 2015	0%	325,759	2036
South Mecca Waterline Replacement - 2016	0%	599,756	2038
North Mecca Waterline Replacement - 2019	0%	19,350	N/A
Cedar Drive Waterline Replacement - 2019	0%	150,318	N/A
<i>Ohio Water Development Authority Loan</i>			
<i>from Direct Borrowings:</i>			
Water Storage Tank - 2010	3.20%	1,233,794	2031
Governmental Activities			
<i>General Obligation Bonds from Direct Placements:</i>			
Vehicle Acquisition Bonds, Series 2018	3.29%	138,075	2021
Ambulance Acquisition Bonds, Series 2017	2.56%	136,000	2027
<i>Ohio Public Works Commission Loans</i>			
<i>from Direct Borrowings:</i>			
South Colonial Storm Sewer - 2014	0%	301,835	2034

Changes in long-term obligations of the City during 2019 were as follows:

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

	Outstanding 12/31/2018	Additions	Reductions	Outstanding 12/31/2019	Due Within One Year
Business Type Activities					
OPWC Loans from Direct Borrowings					
Southern Waterline	\$148,005	\$0	\$16,445	\$131,560	\$16,445
North High Street II Waterline	277,610	0	24,140	253,470	24,140
Willow Park Tank Replacement	592,650	0	43,900	548,750	43,900
North Wellfield Interconnect	178,719	0	13,239	165,480	13,238
Downtown Waterline Replacement	323,795	0	20,890	302,905	20,890
Downtown Waterline Replacement Phase II	346,796	0	20,399	326,397	20,400
Downtown Waterline Replacement Phase III	293,183	0	16,288	276,895	16,288
South Mecca Waterline Replacement	599,756	0	29,988	569,768	29,988
North Mecca Waterline Replacement	0	19,350	0	19,350	0
Cedar Drive Waterline Replacement	0	150,318	0	150,318	0
<i>Total OPWC Loans</i>	<u>2,760,514</u>	<u>169,668</u>	<u>185,289</u>	<u>2,744,893</u>	<u>185,289</u>
OWDA Loans from Direct Borrowings					
Water Storage Tank	887,604	0	56,039	831,565	57,847
Other Long-Term Liabilities					
Net Pension Liability OPERS:					
Water	261,371	162,036	0	423,407	0
Sewer	261,371	162,036	0	423,407	0
<i>Total Net Pension Liability</i>	<u>522,742</u>	<u>324,072</u>	<u>0</u>	<u>846,814</u>	<u>0</u>
Net OPEB Liability OPERS:					
Water	175,095	18,292	0	193,387	0
Sewer	175,095	18,292	0	193,387	0
<i>Total Net OPEB Liability</i>	<u>350,190</u>	<u>36,584</u>	<u>0</u>	<u>386,774</u>	<u>0</u>
Compensated Absences	66,792	30,773	18,245	79,320	17,246
<i>Total Business Type Activities</i>	<u>\$4,587,842</u>	<u>\$561,097</u>	<u>\$259,573</u>	<u>\$4,889,366</u>	<u>\$260,382</u>
Governmental Type Activities					
General Obligation Bonds					
from Direct Placements					
Vehicle Acquisition Bonds, Series 2018	\$127,081	\$0	\$48,696	\$78,385	\$46,515
Ambulance Acquisition Bonds, Series 2017	124,300	0	12,100	112,200	12,500
<i>Total General Obligation Bonds</i>	<u>251,381</u>	<u>0</u>	<u>60,796</u>	<u>190,585</u>	<u>59,015</u>
OPWC Loans from Direct Borrowings					
South Colonial Storm Sewer	233,921	0	15,091	218,830	15,092
Net Pension Liability					
OPERS	378,537	403,138	0	781,675	0
OP&F	3,298,513	1,346,847	0	4,645,360	0
<i>Total Net Pension Liability</i>	<u>3,677,050</u>	<u>1,749,985</u>	<u>0</u>	<u>5,427,035</u>	<u>0</u>
Net OPEB Liability					
OPERS	253,585	103,438	0	357,023	0
OP&F	3,045,060	0	2,526,807	518,253	0
<i>Total Net OPEB Liability</i>	<u>3,298,645</u>	<u>103,438</u>	<u>2,526,807</u>	<u>875,276</u>	<u>0</u>
Other Long-Term Liabilities					
Compensated Absences	324,481	93,574	70,832	347,223	72,977
<i>Total Governmental Type Activities</i>	<u>\$7,785,478</u>	<u>\$1,946,997</u>	<u>\$2,673,526</u>	<u>\$7,058,949</u>	<u>\$147,084</u>

City of Cortland, Ohio
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Business-type OPWC loans will be paid from water and sewer enterprise fund user service charges. The governmental OPWC loan will be repaid from the general fund with storm sewer service charges. The OWDA loan will be paid from the water enterprise fund user service charges. The vehicle acquisition bonds will be paid from the police levy special revenue fund. The ambulance acquisition bonds will be paid from the fire levy special revenue fund. Compensated absences will be paid from the general fund, the street construction, maintenance and repair, police levy and fire levy special revenue funds and the water and sewer enterprise funds. The City pays obligations related to employee compensation from the fund benefitting from their service. There are no repayment schedules for the net pension liability and net OPEB liability. However, employer pension and OPEB contributions are made from the following funds: the general fund, the street construction, maintenance and repair, police levy and fire levy special revenue funds and the water and sewer enterprise funds. For additional information related to the net pension and net OPEB liabilities see Notes 12 and 13.

On August 20, 2018, the City issued \$138,075 in vehicle acquisition bonds through direct placement for the purpose of acquiring and equipping police cruisers. The bonds were issued at an interest rate of 3.29 percent. The bonds were issued for a three year period with final maturity on September 4, 2021.

On November 29, 2017, the City issued \$136,000 in ambulance acquisition bonds through direct placement for the purpose of acquiring an ambulance. The bonds were issued at an interest rate of 2.56 percent. The bonds were issued for a ten year period with final maturity on November 1, 2027.

In 2019, the City was approved for a \$575,000 OPWC loan for the North Mecca Waterline Replacement project. As of December 31, 2019, the City has drawn down proceeds of \$19,350. This loan has not been finalized and therefore the repayment schedule is not included in the schedule of debt service payments.

In 2019, the City was approved for a \$267,000 OPWC loan for the Cedar Drive Waterline Replacement project. As of December 31, 2019, the City has drawn down proceeds of \$150,318. This loan has not been finalized and therefore the repayment schedule is not included in the schedule of debt service payments.

The City's outstanding OPWC loans from direct borrowings of \$2,744,893 related to business-type activities and \$218,830 related to governmental activities contain provisions that in the event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

The City's outstanding OWDA loans from direct borrowings of \$831,565 related to business-type activities contain provisions that in the event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

The City's overall legal debt margin was \$14,272,477 at December 31, 2019. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2019, are as follows:

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Business Type Activities

Year	From Direct Borrowings		
	OPWC Loans	OWDA Loan	
	Principal	Principal	Interest
2020	\$185,289	\$57,847	\$24,516
2021	185,290	59,713	22,767
2022	185,289	61,639	20,961
2023	185,289	63,627	19,097
2024	185,289	65,679	17,173
2025-2029	893,555	361,575	54,763
2030-2034	582,298	161,485	6,103
2035-2038	172,926	0	0
Total	\$2,575,225	\$831,565	\$165,380

Governmental Activities

Year	From Direct	From Direct Placements	
	Borrowings	G.O. Bonds	
	OPWC Loans	Principal	Interest
2020	\$15,092	\$59,015	\$5,529
2021	15,092	44,770	3,634
2022	15,092	13,300	2,821
2023	15,092	13,800	2,389
2024	15,092	14,200	1,940
2025-2029	75,460	45,500	2,990
2030-2034	67,910	0	0
Total	\$218,830	\$190,585	\$19,303

Note 12 - Defined Benefit Pension Plans

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

Net Pension Liability (Asset) /Net OPEB Liability

The net pension liability (asset) and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions/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 pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liabilities (asset) represent the City’s proportionate share of each pension/OPEB plans’ collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plans’ fiduciary net position. The net pension/OPEB liabilities (asset)

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

Ohio Revised Code (ORC) limits the City's obligation for these liabilities 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 and OPEB.

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

The proportionate share of each plan's unfunded benefits is presented as a *net pension asset* or a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System

Plan Description – City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments (COLA) to members of the traditional and combined plans. 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 the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

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

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

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

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

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

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	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2019 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

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

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

For 2019, The City's contractually required contribution was \$123,249 for the traditional plan, \$2,016 for the combined plan and \$880 for the member-directed plan. Of these amounts, \$2,760 is reported as an intergovernmental payable for the traditional plan, \$45 for the combined plan, and \$19 for the member-directed plan.

Plan Description – Ohio Police & Fire Pension Fund

Plan Description – City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost of living adjustments (COLA), 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 that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

City of Cortland, Ohio
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The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F's annual financial report referenced previously for additional information, including requirements for Deferred Retirement Option Plan (DROP) provisions and reduced and unreduced benefits).

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3 percent or the percent increase, if any, in the Consumer Price Index over the 13 month period ending on September 30th of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

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

	Police	Firefighters
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2019 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$227,814 for 2019. Of this amount, \$5,416 is reported as an intergovernmental payable.

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

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

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	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>OP&F</u>	
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.00594600%	0.00323700%	0.05691000%	
Prior Measurement Date	<u>0.00574500%</u>	<u>0.00447200%</u>	<u>0.05374400%</u>	
Change in Proportionate Share	<u>0.00020100%</u>	<u>-0.00123500%</u>	<u>0.00316600%</u>	
Proportionate Share of the:				<u>Total</u>
Net Pension Liability	\$1,628,489	\$0	\$4,645,360	\$6,273,849
Net Pension Asset	0	(3,621)	0	(3,621)
Pension Expense	359,605	1,209	632,705	993,519

2019 pension expense for the member-directed defined contribution plan was \$880. The aggregate pension expense for all pension plans was \$994,399 for 2019.

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

	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources				
Differences between expected and actual experience	\$75	\$0	\$190,859	\$190,934
Changes of assumptions	141,764	808	123,155	265,727
Net difference between projected and actual earnings on pension plan investments	221,032	780	572,304	794,116
Changes in proportion and differences between City contributions and proportionate share of contributions	22,987	1,684	165,389	190,060
City contributions subsequent to the measurement date	<u>123,249</u>	<u>2,016</u>	<u>227,814</u>	<u>353,079</u>
Total Deferred Outflows of Resources	<u>\$509,107</u>	<u>\$5,288</u>	<u>\$1,279,521</u>	<u>\$1,793,916</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$21,383	\$1,479	\$4,338	\$27,200
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>9,117</u>	<u>0</u>	<u>76,355</u>	<u>85,472</u>
Total Deferred Inflows of Resources	<u>\$30,500</u>	<u>\$1,479</u>	<u>\$80,693</u>	<u>\$112,672</u>

\$353,079 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 or increase to the net pension asset in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Year Ending December 31:	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
2020	\$149,912	\$340	\$288,069	\$438,321
2021	82,146	185	162,923	245,254
2022	20,503	201	199,471	220,175
2023	102,797	444	298,911	402,152
2024	0	122	21,640	21,762
Thereafter	0	501	0	501
Total	<u>\$355,358</u>	<u>\$1,793</u>	<u>\$971,014</u>	<u>\$1,328,165</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018, are presented as follows:

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

In October of 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change was effective beginning with the 2018 valuation.

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

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

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

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

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

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

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

Discount Rate For 2018, the discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. For 2017, the discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members; therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability (asset):			
OPERS Traditional Plan	\$2,405,752	\$1,628,489	\$982,577
OPERS Combined Plan	(1,198)	(3,621)	(5,373)

Actuarial Assumptions – OP&F

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

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2018, are presented as follows:

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

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

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

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

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

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

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

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

Note: Assumptions are geometric.

* levered 2x

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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 previously disclosed, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members; therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$6,106,005	\$4,645,360	\$3,424,780

Note 13 - Defined Benefit OPEB Plans

See Note 12 for a description of the net OPEB liability

Plan Description – Ohio Public Employees Retirement System

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for

City of Cortland, Ohio
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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 financial report referenced later for additional information.

The Ohio Revised Code (ORC) 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 ORC.

Disclosures for the health care plan are presented separately in the OPERS' annual 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 ORC provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2019 was 4.0 percent.

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

The City's contractually required contribution was \$352 for 2019. Of this amount, \$8 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund

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

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party

City of Cortland, Ohio
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administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$5,341 for 2019. Of this amount, \$128 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.005705%	0.0569100%	
Prior Measurement Date	<u>0.005560%</u>	<u>0.0537440%</u>	
Change in Proportionate Share	<u>0.0001450%</u>	<u>0.0031660%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$743,797	\$518,253	\$1,262,050
OPEB Expense	\$66,158	(\$2,526,797)	(\$2,460,639)

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$252	\$0	\$252
Changes of assumptions	23,981	268,637	292,618
Net difference between projected and actual earnings on OPEB plan investments	34,099	17,543	51,642
Changes in proportion and differences between City contributions and proportionate share of contributions	10,559	148,639	159,198
City contributions subsequent to the measurement date	<u>352</u>	<u>5,341</u>	<u>5,693</u>
Total Deferred Outflows of Resources	<u>\$69,243</u>	<u>\$440,160</u>	<u>\$509,403</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$2,018	\$13,885	\$15,903
Changes of assumptions	0	143,477	143,477
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>7,489</u>	<u>0</u>	<u>7,489</u>
Total Deferred Inflows of Resources	<u>\$9,507</u>	<u>\$157,362</u>	<u>\$166,869</u>

\$5,693 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

City of Cortland, Ohio
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Year Ending December 31:	OPERS	OP&F	Total
2020	\$24,999	\$47,581	\$72,580
2021	11,433	47,581	59,014
2022	5,774	47,581	53,355
2023	17,178	52,887	70,065
2024	0	44,522	44,522
Thereafter	0	37,305	37,305
Total	<u>\$59,384</u>	<u>\$277,457</u>	<u>\$336,841</u>

Actuarial Assumptions - OPERS

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

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

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current measurement date	3.71 percent
Prior Measurement date	3.31 percent
Health Care Cost Trend Rate:	
Current measurement date	10.0 percent, initial 3.25 percent, ultimate in 2029
Prior Measurement date	7.25 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age Normal

In October of 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change was be effective for the 2018 valuation.

City of Cortland, Ohio
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For the Year Ended December 31, 2019

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

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.6 percent for 2018.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The following table displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

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

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

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	\$951,594	\$743,797	\$578,544

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuary's project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$714,951	\$743,797	\$777,021

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Actuarial Assumptions – OP&F

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

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

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

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

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

City of Cortland, Ohio
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For the Year Ended December 31, 2019

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

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

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

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

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

Discount Rate For 2019, the total OPEB liability was calculated using the discount rate of 4.66 percent. For 2018, the total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members; therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent for 2018 and 3.24 percent for 2017. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2031. The long-term expected rate of return on health care investments was applied to projected costs through 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
City's proportionate share of the net OPEB liability	\$631,373	\$518,253	\$423,298

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

Note 14 - Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned unused vacation time is paid upon termination of employment. Employees earn sick leave at different rates depending upon length of service and type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, the fire department, service department and all other employees can be paid a maximum of 480 hours of accumulated, unused sick leave. Police department employees are paid up to a maximum of 50 percent or 480 hours, whichever is higher, of their accumulated, unused sick leave.

Note 15 - Jointly Governed Organization

Eastgate Regional Council of Governments

The Eastgate Regional Council of Governments (ERCG) is a jointly governed organization that is committed to fostering cooperative regional efforts in the planning, programming and implementation of public sector activities. ERCG has forty-eight participating members. These include representatives from Trumbull County and Mahoning County, township trustees and officials from participating cities and villages. The operation of ERCG is controlled by a general policy board which consists of a representative from each participant. Each member’s degree of control is limited to its representation on the board. Funding comes from each of the participants. For 2019, the City contributed \$12,875 to the Eastgate Regional Council of Governments. For more information contact John R. Getchey, executive director, at 5121 Mahoning Avenue, Youngstown, Ohio 44515.

Note 16 - Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At the year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental Funds		Proprietary Funds	
General Fund	\$43,150	Water	\$16,992
Police Levy	36,947	Sewer	<u>16,992</u>
Fire Levy	4,053	Total Proprietary Funds	<u>\$33,984</u>
Other Governmental Funds	<u>29,106</u>		
Total Governmental Funds	<u>\$113,256</u>		

City of Cortland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 17 – Changes in Accounting Principles and Restatement of Net Position

Changes in Accounting Principles

For 2019, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*.

For 2019, the City also implemented the Governmental Accounting Standards Board’s (GASB) *Implementation Guide No. 2018-1*. These changes were incorporated in the City’s 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement 88 improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the City’s fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

Restatement of Net Position

During 2019, it was determined that depreciable capital assets were understated at December 31, 2018. This restatement to capital assets had the following effect on net position as of December 31, 2018:

	Governmental Activities	Business-type Activities	Total
Net Position December 31, 2018	\$1,020,281	\$6,837,715	\$7,857,996
Adjustments:			
Depreciable Capital Assets, Net	96,408	0	96,408
Restated Net Position December 31, 2018	\$1,116,689	\$6,837,715	\$7,954,404

Note 18 – Subsequent Event

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

Required Supplementary Information

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

	2019	2018	2017
City's Proportion of the Net Pension Liability	0.00594600%	0.00574500%	0.00592100%
City's Proportionate Share of the Net Pension Liability	\$1,628,489	\$901,279	\$1,344,558
City's Covered Payroll	\$803,157	\$759,254	\$765,400
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.76%	118.71%	175.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

2016	2015	2014
0.00595400%	0.00630800%	0.00630800%
\$1,031,310	\$760,815	\$743,631
\$741,031	\$773,317	\$652,104
139.17%	98.38%	114.04%
81.08%	86.45%	86.36%

City of Cortland, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Asset
Ohio Public Employees Retirement System - Combined Plan
Last Two Years (1)

	2019	2018
City's Proportion of the Net Pension Asset	0.00323700%	0.00447200%
City's Proportionate Share of the Net Pension Asset	\$3,621	\$6,089
City's Covered Payroll	\$13,843	\$18,315
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-26.16%	-33.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	126.64%	137.28%

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

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

See accompanying notes to the required supplementary information

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

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.005705%	0.005560%	0.005770%
City's Proportionate Share of the Net OPEB Liability	\$743,797	\$603,775	\$582,790
City's Covered Payroll	\$827,400	\$787,169	\$797,942
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.90%	76.70%	73.04%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's Proportion of the Net Pension Liability	0.05691000%	0.05374400%	0.05343000%
City's Proportionate Share of the Net Pension Liability	\$4,645,360	\$3,298,513	\$3,384,202
City's Covered Payroll	\$1,295,614	\$1,149,749	\$1,186,883
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	358.55%	286.89%	285.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year

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

See accompanying notes to the required supplementary information.

2016	2015	2014
0.05494700%	0.05692530%	0.05692530%
\$3,534,779	\$2,948,968	\$2,772,441
\$1,104,393	\$1,117,497	\$1,002,768
320.07%	263.89%	276.48%
66.77%	71.71%	73.00%

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

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.0569100%	0.0537440%	0.0534300%
City's Proportionate Share of the Net OPEB Liability	\$518,253	\$3,045,060	\$2,536,202
City's Covered Payroll	\$1,295,614	\$1,149,749	\$1,186,883
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	40.00%	264.85%	213.69%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

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City of Cortland, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System
Last Seven Years (1)

	2019	2018	2017	2016
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	\$123,249	\$112,442	\$98,703	\$91,848
Contributions in Relation to the Contractually Required Contribution	<u>(123,249)</u>	<u>(112,442)</u>	<u>(98,703)</u>	<u>(91,848)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$880,350	\$803,157	\$759,254	\$765,400
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>
Net Pension Liability - Combined Plan				
Contractually Required Contribution	\$2,016	\$1,938	\$2,381	\$2,897
Contributions in Relation to the Contractually Required Contribution	<u>(2,016)</u>	<u>(1,938)</u>	<u>(2,381)</u>	<u>(2,897)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$14,400	\$13,843	\$18,315	\$24,142
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>
Net OPEB Liability - OPEB Plan (2)				
Contractually Required Contribution	\$352	\$416	\$8,160	\$16,127
Contributions in Relation to the Contractually Required Contribution	<u>(352)</u>	<u>(416)</u>	<u>(8,160)</u>	<u>(16,127)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (3)	\$903,550	\$827,400	\$787,169	\$797,942
OPEB Contributions as a Percentage of Covered Payroll	<u>0.04%</u>	<u>0.05%</u>	<u>1.04%</u>	<u>2.02%</u>

(1) Information prior to 2013 is not available for the Traditional and Combined plans.

(2) Information prior to 2016 is not available for the OPEB plan.

(3) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See accompanying notes to the required supplementary information

2015	2014	2013
\$88,924	\$92,798	\$84,773
<u>(88,924)</u>	<u>(92,798)</u>	<u>(84,773)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$741,033	\$773,317	\$652,100
<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>
\$1,657	\$1,902	\$1,738
<u>(1,657)</u>	<u>(1,902)</u>	<u>(1,738)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$13,808	\$15,850	\$13,369
<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>

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

	2019	2018	2017	2016
Net Pension Liability				
Contractually Required Contribution	\$227,814	\$273,674	\$244,327	\$253,394
Contributions in Relation to the Contractually Required Contribution	(227,814)	(273,674)	(244,327)	(253,394)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$1,068,144	\$1,295,614	\$1,149,749	\$1,186,883
Pension Contributions as a Percentage of Covered Payroll	<u>21.33%</u>	<u>21.12%</u>	<u>21.25%</u>	<u>21.35%</u>
Net OPEB Liability				
Contractually Required Contribution	\$5,341	\$6,478	\$5,749	\$5,934
Contributions in Relation to the Contractually Required Contribution	(5,341)	(6,478)	(5,749)	(5,934)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.83%</u>	<u>21.62%</u>	<u>21.75%</u>	<u>21.85%</u>

(1) The City's Covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
\$235,730	\$238,229	\$181,676	\$153,278	\$161,665	\$151,513
(235,730)	(238,229)	(181,676)	(153,278)	(161,665)	(151,513)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,104,393	\$1,117,497	\$1,002,768	\$1,012,026	\$1,076,167	\$1,007,856
21.34%	21.32%	18.12%	15.15%	15.02%	15.03%
\$5,522	\$5,587	\$36,267	\$68,312	\$72,641	\$68,030
(5,522)	(5,587)	(36,267)	(68,312)	(72,641)	(68,030)
\$0	\$0	\$0	\$0	\$0	\$0
0.50%	0.50%	3.62%	6.75%	6.75%	6.75%
21.84%	21.82%	21.74%	21.90%	21.77%	21.78%

City of Cortland, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2019

Changes in Assumptions – OPERS Pension

Amounts reported beginning in 2019 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and in 2016 and prior are presented below:

	2019	2017	2016 and prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:			
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

City of Cortland, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2019

Changes in Assumptions – OP&F Pension

Amounts reported for 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below:

	2018	2017 and Prior
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Amounts reported for 2018 use valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

Amounts reported for 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

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

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

City of Cortland, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2019

Changes in Assumptions – OPERS OPEB

For 2019, the single discount rate changed from 3.85 percent to 3.96 percent and the municipal bond rate changed from 3.31 percent to 3.71 percent. For 2019, the health care cost trend rate was 10 percent, initial; 3.25 ultimate in 2029. For 2018, the health care cost trend rate was 7.25 percent, initial; 3.25 percent ultimate in 2028.

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Assumptions – OP&F OPEB

For 2019, the single discount rate changed from 3.24 percent to 4.66 percent.

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

Changes in Benefit Terms – OP&F OPEB

For 2019, OP&F recognized a change in benefit terms. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years.

OHIO AUDITOR OF STATE KEITH FABER



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

City of Cortland
Trumbull County
400 North High Street
Cortland, Ohio 44410

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cortland, Trumbull County, (the City) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 28, 2021. We also noted the financial impact of COVID-19 and the continuing emergency measures which may 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) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2020-001 and 2020-002 to be material weaknesses.

Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

September 28, 2021

**CITY OF CORTLAND
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 and 2019**

1. Capital Assets Reporting

FINDING NUMBER 2020-001

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

We noted the following errors related to reporting capital asset activity:

- We noted a “splash pad” (shallow splash pool for children) which was acquired prior to 2019, but never recorded as a capital asset addition, resulting in understatements in both 2019 and 2020 of Buildings and Improvements totaling \$79,861 and depreciation expense totaling \$3,993 as well as understatements of Accumulated Depreciation totaling \$15,972 and \$19,965 in 2019 and 2020, respectively.
- During 2019 the City recorded an infrastructure waterline addition of \$210,019 for the Cedar Drive waterline project. However, actual project costs were \$244,850, resulting in understatements in 2019 and 2020 of Business-type Activities (BTA) Infrastructure Waterline Additions totaling \$34,831, as well as understatements of Accumulated Depreciation and Depreciation Expense in both years totaling \$697 and \$1,393, respectively.
- During 2019 the City recorded an infrastructure roads addition of \$316,272 for the East/West Main Street road project. However, actual project costs were \$383,959. This resulted in understatements in 2019 and 2020 of Governmental Activities (GA) Infrastructure Roads Additions totaling \$383,959, as well as understatements of Accumulated Depreciation and Depreciation Expense in both years totaling \$6,769 and \$13,537, respectively.
- During 2019 the City replaced a tennis court originally installed in 1980. The new tennis court and fence were improperly excluded from capital asset additions and the original tennis court and related accumulated depreciation were improperly excluded from capital asset deletions, resulting in understatements in 2019 and 2020 of Governmental Activities Buildings and Improvements totaling \$73,495 and Depreciation Expense totaling \$3,675, as well as understatements of Accumulated Depreciation in both years totaling \$3,675 and \$7,350, respectively.
- The City recorded vehicle additions in 2019 of \$33,760 for each of two police vehicles along with equipment additions of \$5,200 for cameras that came with each vehicle. Actual cost of the vehicles, including cameras, was \$44,032 each. This resulted in an understatement of vehicle additions totaling \$10,145 in 2019 and 2020 and understatements of Accumulated Depreciation and Depreciation expense in both years totaling \$1,015 and \$2,029, respectively.

- The City's North Mecca Waterline project began in 2019 and was completed in 2020. During 2020 project costs totaling \$531,490 were recorded as Construction in Progress (CIP) additions. However, actual project costs incurred during 2020 were \$619,162, resulting in understatements of CIP additions, CIP deletions and Infrastructure Waterline additions and an overstatement of project related expenses totaling \$87,672.
- Dump truck equipment totaling \$40,620 purchased in 2020 was improperly excluded from capital asset additions. The equipment was allocated 66% to Governmental Activities (GA) and 34% to Business-type Activities (BTA). This resulted in overstatements of expenses and understatements of Furniture, Fixtures and Equipment totaling \$26,809 and \$13,811 for GA and BTA, respectively. It also resulted in understatements of Depreciation Expense and Accumulated Depreciation totaling \$2,681 and \$1,381, for GA and BTA respectively.
- A Mecca Street resurfacing project which was started in 2020, but not complete at year-end was improperly excluded from CIP additions resulting in an understatement of GA CIP Additions and an understatement of GA expenses totaling \$56,809.
- Five equipment purchases made in 2020, including a police radio system, pressure washer and a camera system, were improperly excluded from capital asset additions resulting in an understatement of GA Furniture, Fixtures and Equipment Additions and an overstatement of GA expenses totaling \$60,333 as well as understatements of Depreciation Expense and Accumulated Depreciation totaling \$6,033.

The financial statements have been properly adjusted.

The City's control procedures over the review of capital assets failed to recognize these errors and omissions because the procedures were inadequate.

The City should implement control procedures which include reviews GAAP compilation workpapers and related adjustments in order to help to prevent and detect potential misstatements in the financial statements and footnotes.

Official's Response: The City of Cortland has been working on policies and will be implementing a capital asset policy.

2. Reporting of On-Behalf Projects

FINDING NUMBER 2020-002

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

During 2020, the City appropriately recorded a contract payable in the Water Fund for amounts due, but not yet paid by the Ohio Public Works Commission (OPWC) on-behalf of the City. However, two related contract payments which were due, but not yet paid directly by the City were improperly excluded, resulting in understatements of Contracts Payable and Capital Outlay in the Water Fund totaling \$67,840 at December 31, 2020. The financial statements have been properly adjusted.

The City did not have adequate controls in place to prevent or detect this error.

The City should implement control procedures which include reviews of receipt and disbursement postings, GAAP compilation workpapers and related adjustments in order to help to prevent and detect potential misstatements in the financial statements and footnotes.

Official's Response: That was an oversight and will be more mindful. Working from home and on-site with an ever changing schedule due to COVID was a little crazy.

OTHER – FINDINGS FOR RECOVERY

In addition, we identified the following other issue related to Findings for Recovery. This issue did not impact our GAGAS Controls report.

Employee Overpayment - Finding for Recovery Repaid Under Audit

FINDING NUMBER 2020-003

NON-COMPLIANCE

An employee was paid at a part-time firefighter/paramedic hourly rate when they only should have been paid at the part-time firefighter/EMT hourly rate. This resulted in the employee being overpaid by \$2 per hour, which came out to the employee being overpaid by \$625 in 2020.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Tracy Geiselman, part-time firefighter/EMT, for \$625 and in favor of the City Fire Fund.

Ms. Geiselman repaid the City in full on August 27, 2021.

The City should review hourly rates each year to verify employees are being paid at the correct amount.

Official's Response: This was an error that was corrected and will be mindful when adding employees. The City does review hourly rates; this employee was hired during remote working/pandemic. At times, reviews/double-checks could have been missed.

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City of Cortland

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2020 and 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Pledged collateral	Corrected	
2018-002	Capital assets	Not corrected	Finding 2020-001
2018-003	Police Levy Fund BvA financial statement error	Corrected	

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF CORTLAND

TRUMBULL 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 11/4/2021

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

This report is a matter of public record and is available online at
www.ohioauditor.gov