

**CITY OF UNIVERSITY HEIGHTS  
CUYAHOGA COUNTY, OHIO**

**SINGLE AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2020**

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





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Members of City Council  
City of University Heights  
2300 Warrensville Center Road  
University Heights, Ohio 44118

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

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

Keith Faber  
Auditor of State  
Columbus, Ohio

**June 28, 2021**

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**CITY OF UNIVERSITY HEIGHTS  
CUYAHOGA COUNTY, OHIO  
SINGLE AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

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## **INDEPENDENT AUDITOR'S REPORT**

To the Members of City Council  
City of University Heights  
University Heights, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

### **Report on the Financial Statements**

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

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of University Heights as of December 31, 2020, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

As discussed in Note 22 to the basic financial statements, the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. Also, as described in Note 3 to the basic financial statements, the City restated its net position of the governmental activities as of December 31, 2019 to correct nondepreciable capital assets. Our opinion is not modified with respect to these matters.

### ***Other Matters***

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.



The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

June 7, 2021

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**City of University Heights, Ohio**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended December 31, 2020**

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The discussion and analysis of the City of University Heights's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal 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 the notes thereof.

**Financial Highlights**

Key financial highlights for 2020 are as follows:

- The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources of the City at the close of the most recent fiscal year by \$2,713,165.
- The net position increased by \$255,225 from the prior year. Total assets and deferred outflows of resources decreased by \$1,155,966 and liabilities and deferred inflows of resources decreased by \$1,411,191.
- The total fund balance for the General Fund was \$6,994,209, an increase of \$1,867,748 from prior year.
- The Ohio Police and Fire Pension Fund made a change in its health care model resulting in an increase in its current year OPEB expense. This change increased the City's Security of persons and property expense by \$10,525,342 from 2019.

**Using this Annual Financial Report**

This discussion and analysis are intended to serve as an introduction to the City of University Heights's basic financial statements. The City of University Heights's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

***Government-Wide Financial Statements – Reporting the City as a Whole***

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

The Statement of Net Position presents information on all the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increase or decrease in net position may serve as a useful indicator of whether the financial position of the City of University Heights is improving or deteriorating. However, in evaluating the overall position of the City, non-financial factors such as the City's tax base, change in property and income tax laws, and the condition of the capital assets should also be considered.

Both the Statement of Net Position and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**City of University Heights, Ohio**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended December 31, 2020**

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***Fund Financial Statements – Reporting the City's Most Significant Funds***

***Fund Financial Statements***

The fund financial statements are used to report additional and detailed information about the City. These statements focus on major funds of the City. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of University Heights can be divided into two categories: governmental funds and fiduciary 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 fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all *other financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds.

For the City's 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 other major funds.

The basic governmental fund financial statements can be found starting on page 16 of this report.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources are not available to support the City's own programs. The fiduciary fund financial statements can be found starting on page 21 of this report.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found starting on page 23 of this report.

**Government-wide Financial Analysis – The City as a Whole**

As noted earlier, the Statement of Net Position looks at the City as a whole and can prove to be a useful indicator of the City's financial position.

**City of University Heights, Ohio**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended December 31, 2020**

The Statement of Net Position and the Statement of Activities are divided into the following categories:

- Assets and Deferred Outflows of Resources
- Liabilities and Deferred Inflows of Resources
- Net Position (Assets and Deferred Outflows of Resources minus Liabilities and Deferred Inflows of Resources)
- Program Expenses and Revenues
- General Revenues
- Net Position Beginning and End of Year- Restated

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

**Table 1 - Net Position**

	Governmental Activities	
	2020	2019*
<b><u>Assets</u></b>		
Current and Other Assets	\$ 18,861,008	\$ 17,439,941
Net Pension Asset	67,964	13,500
Capital Assets	14,256,421	14,760,563
<b>Total Assets</b>	<b>33,185,393</b>	<b>32,214,004</b>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	3,789,571	6,579,639
OPEB	2,348,792	1,686,079
<b>Total Deferred Outflows of Resources</b>	<b>6,138,363</b>	<b>8,265,718</b>
<b><u>Liabilities</u></b>		
Current and other liabilities	777,378	1,515,475
Long-term Liabilities:		
Due within one year	962,680	938,665
Due in more than one year:		
Net Pension Liability	19,602,827	23,155,465
Net OPEB Liability	5,090,750	4,345,133
Other Amounts	3,016,405	3,586,858
<b>Total Liabilities</b>	<b>29,450,040</b>	<b>33,541,596</b>
<b><u>Deferred Inflows of Resources</u></b>		
Property Taxes	2,841,981	2,835,231
Pension	2,877,202	738,146
OPEB	1,441,368	906,809
<b>Total Deferred Inflows of Resources</b>	<b>7,160,551</b>	<b>4,480,186</b>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	10,976,664	10,968,675
Restricted	5,314,848	4,769,203
Unrestricted	(13,578,347)	(13,279,938)
<b>Total Net Position</b>	<b>\$ 2,713,165</b>	<b>\$ 2,457,940</b>

\* Restated

**City of University Heights, Ohio**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended December 31, 2020**

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The net pension liability (NPL) is one of the larger liabilities reported by the City at December 31, 2020 and is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. The City previously adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension/OPEB, the net pension/OPEB liability to the reported net position and subtracting deferred outflows related to pension/OPEB and the net pension asset.

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

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

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

GASB notes that pension/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/OPEB. 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 liability. In Ohio, the employee shares the obligation of funding 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 health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

**City of University Heights, Ohio**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended December 31, 2020**

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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/OPEB liability. As explained above, changes in pension 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/OPEB liability is satisfied, these liabilities are separately identified within the long-term liability section of the Statement of Net Position.

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

A portion of the City's net position reflects its net investment in capital assets. Capital assets include construction in progress, land, buildings and improvements, vehicles, equipment, and infrastructure. The City uses those capital assets to provide services to its citizens; consequently, they are not available for future spending. Net investment in capital assets as of December 31, 2020, was \$10,976,664. Although the City's investment is reported net of related debt, it should be noted that resources to repay the debt must be provided from other sources since capital assets may not be used to liquidate these liabilities.

An additional portion of the City's net position, \$5,314,848 represents resources that have been restricted on how they may be used.

The changes in deferred outflows of Resources, deferred inflows of resources, net pension liability and Net OPEB liability are due to the recording of GASB Statement Nos. 68 and 75 as previously mentioned.

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**City of University Heights, Ohio**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended December 31, 2020**

In order to further understand what makes up the changes in net position for the current year, Table 2 provides further details regarding the results of activities for the current year.

	Governmental Activities	
	2020	2019
<b><u>Revenues</u></b>		
Program Revenues:		
Charges for Services	\$ 1,393,553	\$ 1,443,990
Operating Grants and Contributions	1,983,498	771,874
Capital Grants and Contributions	868,464	667,084
General Revenues:		
Property Taxes	3,065,439	3,113,956
Municipal Income Taxes	9,645,577	10,241,709
Payments in lieu of taxes	373,855	372,936
Other Taxes	132,657	140,024
Grants and Entitlements	825,097	838,206
Investment income	101,511	191,005
Gain on Sale of Capital Assets	17,103	7,152
All Other Revenue	1,064,313	321,076
<b>Total Revenues</b>	<b>19,471,067</b>	<b>18,109,012</b>
<b><u>Program Expenses</u></b>		
Security of Persons and Property	11,304,032	778,690
Public Health and Welfare	73,788	64,175
Leisure Time Activities	57,278	580,466
Community Development	1,612,046	1,309,840
Basic Utility Services	2,066,092	2,567,015
Transportation	1,817,259	1,401,451
General Government	2,236,246	2,587,862
Interest and Fiscal Charges	49,101	59,941
<b>Total Program Expenses</b>	<b>19,215,842</b>	<b>9,349,440</b>
 Increase in Net Position	 255,225	 8,759,572
 Net Position, Beginning of Year	 2,457,940	 (6,001,704)
Restatement	-	(299,928)
<b>Net Position, End of Year</b>	<b>\$ 2,713,165</b>	<b>\$ 2,457,940</b>

Total revenues increased by \$1,362,055 in 2020. This increase was mainly due to increases in operating grants and contributions and all other revenue. The operating grants and contributions increased due to the City receiving monies to support COVID-19 Pandemic. The increase in all other revenue was due the Ohio Bureau of Workers Compensation' reimbursement monies to the City.

The City's collection agency is the Regional Income Tax Agency located in Brecksville, Ohio. During 2020, the income tax revenue was \$9,645,577. Another major revenue source is property taxes. The effective tax rate for 2020 was \$13.20 per \$1,000 of assessed valuation. The annual property tax is calculated using the taxable value (market value multiplied by 35 percent) of the property multiplied by the property effective tax rate levied by the City, Cuyahoga County, Cleveland Heights-University Heights City School District and Cleveland Heights-University Heights Public Library. During 2020, the property tax revenue was \$3,065,439.



**City of University Heights, Ohio**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended December 31, 2020**

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Total program expenses increased by \$9,866,402 in 2020 when compared to 2019. This increase can mainly be attributed to OPEB expense calculated in accordance with GASB Statement No 75. This increase is attributable to The Ohio Police and Fire Pension Fund (OP&F) making a change to its health care model. Beginning January 1, 2019 OP&F has changed its retiree health care model and the current self-insured health care plan will no longer be offered. In its place will be a stipend-based health care model. A stipend funded by OP&F is placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend-based health care model, OP&F management expects that it will be able to provide stipends to eligible participants for the next 15 years. This change increased the City's Security of persons and property expense by \$10,525,342 from 2019.

Expenses are categorized by functions. The largest program expense (excluding OPEB adjustment as discussed above), security of persons and property, includes police, fire, police and fire communications, traffic control, animal control, and public safety, was over 50% of the total governmental expenses.

### **The City's Funds**

Information about the City's funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting.

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

As of the end of the year, the City's governmental funds reported combined ending fund balance of \$10,709,351, an increase of \$2,271,210 in comparison with the prior year. Of this fund balance, \$6,532,888 of the ending combined fund balance for 2020 constitutes *assigned and unassigned fund balance* combined, which is available for spending at the governments discretion. The remainder of fund balance is *nonspendable, restricted, or committed* to indicate that it is not available for new spending because it is not in spendable form or it has already been restricted or committed by external or internal constraints.

The General Fund is the main operating fund of the City. At the end of 2020, total fund balance for the General Fund was \$6,994,209. The General Fund balance increased by \$1,867,748 during the current fiscal year.

### *General Fund Budgeting Highlights*

The most significant budgeted fund is the General Fund. Over the course of the year, the City Council revises the City's General Fund budget to prevent budget overruns.

The original and final appropriations, including other financing uses is \$15,656,213 and \$14,813,348 respectively. The actual charges to appropriations (expenditures) were \$1,235,893 below the final budgeted amount for the General Fund mostly due to the operating efficiencies.

**City of University Heights, Ohio**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended December 31, 2020**

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of 2020, the City of University Heights had \$14,256,421 invested in a broad range of capital assets, including land, buildings and improvements, equipment, vehicles, construction in progress and infrastructure.

Table 3 shows fiscal 2020 balances of capital assets as compared to 2019:

	Governmental Activities	
	2020	2019*
Land	\$ 862,544	\$ 858,369
Construction-in-progress	13,948	2,245,426
Buildings and Improvements	1,859,922	1,917,252
Vehicles	3,752,839	2,739,311
Equipment	423,334	200,008
Infrastructures:		
Pavement	6,161,298	5,631,690
Traffic Lights	76,531	39,038
Storm Sewers	149,218	152,097
Sanitary Sewers	956,787	977,372
<b>Total Capital Assets</b>	<b>\$ 14,256,421</b>	<b>\$ 14,760,563</b>

\* Restated

The City has an aggressive stance on maintaining its assets, including infrastructure, in excellent condition. Vehicles such as police cars are planned for well in advance by the respective department heads and a scheduled maintenance and replacement timetable is followed to provide peak performance for the maximum time frame.

More detailed information about the City's capital assets is presented in Note 8 to the financial statements.

*Debt*

At December 31, 2020, the City of University Heights had \$3,279,757 in outstanding debt. Table 4 summarizes the outstanding debt obligations of the City.

**Table 4 - Outstanding Debt at December 31**

	Governmental Activities	
	2020	2019
General Obligation Bonds	\$ 1,690,000	\$ 2,070,000
OPWC Loans	390,180	415,465
Capital leases	1,199,577	1,306,423
<b>Total Outstanding Debt</b>	<b>\$ 3,279,757</b>	<b>\$ 3,791,888</b>

**City of University Heights, Ohio**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended December 31, 2020**

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The State limits the amount of general obligation debt that cities can issue to 5.50 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below the State imposed limit and the City is confident in a strong credit rating. No bond issues or other public borrowing is expected in 2020.

Other obligations include net pension/OPEB liability, and accrued compensated absences. More detailed information about the City's long-term liabilities is presented in Note 11 to the basic financial statements.

**Current Related Financial Activities**

Looking to the future, the City has formally established a Strategic Planning Committee, comprised of administration officials, City Councilpersons and members of the community. The Committee is charged with evaluating all aspects of major capital planning for the City. The City has established a new fund, the Facilities Capital Improvement Fund, to begin the process of identifying the needs for new buildings to house Police, Fire, Service and general administration. As the City comes out of the restrictions imposed by the pandemic, the Administration and Council look to new ways and methods to keep the community thriving.

**Contacting the City of University Heights's Finance Department**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for all money it receives, spends, or invests. If you have any questions about this report or need additional financial information, contact Finance Director Dennis Kennedy at 2300 Warrensville Center Road, University Heights, Ohio 44118.

**City of University Heights, Ohio**  
**Statement of Net Position**  
**For the Year Ended December 31, 2020**

	Governmental Activities
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 9,029,731
Materials and Supplies Inventory	252,960
Accounts Receivable	196,106
Accrued Interest Receivable	16,051
Intergovernmental Receivable	632,261
Prepaid Items	289,484
Income Taxes Receivable	3,988,911
Property and Other Taxes Receivable	3,226,037
Special Assessments Receivable	1,229,467
Net Pension Asset	67,964
Nondepreciable Capital Assets	876,492
Depreciable Capital Assets	13,379,929
<b>Total Assets</b>	<b>33,185,393</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension	3,789,571
OPEB	2,348,792
<b>Total Deferred Outflows of Resources</b>	<b>6,138,363</b>
<b>LIABILITIES</b>	
Accounts Payable	409,522
Contracts Payable	38,732
Accrued Wages and Benefits	118,362
Intergovernmental Payable	50,576
Matured Compensated Absences Payable	51,640
Accrued Interest Payable	3,399
Retainage Payable	10,681
Unearned Revenue	94,466
Long-term Liabilities:	
Due within one year	962,680
Due in more than one year:	
Net Pension Liability	19,602,827
Net OPEB Liability	5,090,750
Other Amounts Due in more than one year	3,016,405
<b>Total Liabilities</b>	<b>29,450,040</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes	2,841,981
Pension	2,877,202
OPEB	1,441,368
<b>Total Deferred Inflows of Resources</b>	<b>7,160,551</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	10,976,664
Restricted for:	
Debt Services	393,048
Capital Projects	960,712
Sewer Maintenance	1,738,774
Community Development	686,449
Street Maintenance and Lighting	1,321,102
Other Purposes	214,763
Unrestricted	(13,578,347)
<b>Total Net Position</b>	<b>\$ 2,713,165</b>

See accompanying notes to the basic financial statements.

**City of University Heights, Ohio**  
Statement of Activities  
For the Year Ended December 31, 2020

<b>Functions</b>	<b>Program Revenues</b>				<b>Net (Expense) Revenue and Changes in Net Position</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary Government:</b>					
Governmental Activities:					
Security of Persons and Property	\$ 11,304,032	\$ 424,478	\$ 1,182,256	\$ -	\$ (9,697,298)
Public Health and Welfare	73,788	-	-	-	(73,788)
Leisure Time Activities	57,278	-	-	-	(57,278)
Community Development	1,612,046	587,237	-	-	(1,024,809)
Basic Utility Services	2,066,092	381,628	188,701	669,325	(826,438)
Transportation	1,817,259	-	558,965	-	(1,258,294)
General Government	2,236,246	210	53,576	199,139	(1,983,321)
Interest and Fiscal Charges	49,101	-	-	-	(49,101)
Total Governmental Activities	<u>\$ 19,215,842</u>	<u>\$ 1,393,553</u>	<u>\$ 1,983,498</u>	<u>\$ 868,464</u>	<u>(14,970,327)</u>
<b>General Revenues:</b>					
Property Taxes levied for:					
General Purposes					2,457,132
Debt Service Purpose					459,183
Other Purposes					149,124
Payments in Lieu of taxes					373,855
Municipal Income Taxes levied for:					
General Purposes					9,433,604
Capital Outlay					12,527
Other Purposes					199,446
Other Taxes					132,657
Grants & Entitlements not restricted to specific programs					825,097
Investment Income					101,511
Gain on Sale of Capital Assets					17,103
All Other Revenues					<u>1,064,313</u>
Total General Revenues					<u>15,225,552</u>
Change in Net Position					255,225
Net Position - Beginning of Year, Restated					<u>2,457,940</u>
<b>Net Position - End of Year</b>					<u><u>\$ 2,713,165</u></u>

See accompanying notes to the basic financial statements.

# City of University Heights, Ohio

## Balance Sheet Governmental Funds December 31, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 5,354,231	\$ 3,675,500	\$ 9,029,731
Materials and Supplies Inventory	103,308	149,652	252,960
Accrued Interest Receivable	16,051	-	16,051
Accounts Receivable	196,077	29	196,106
Interfund Receivable	58,498	-	58,498
Intergovernmental Receivable	355,417	276,844	632,261
Prepaid Items	284,339	5,145	289,484
Income Taxes Receivable	3,789,465	199,446	3,988,911
Property and Other Taxes Receivable	2,690,801	535,236	3,226,037
Special Assessments Receivable	43,049	1,186,418	1,229,467
<b>Total Assets</b>	<u>\$ 12,891,236</u>	<u>\$ 6,028,270</u>	<u>\$ 18,919,506</u>
<b>LIABILITIES</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 337,826	\$ 71,696	\$ 409,522
Accrued Wages and Benefits	115,765	2,597	118,362
Contracts Payable	-	38,732	38,732
Intergovernmental Payable	43,145	7,431	50,576
Matured Compensated Absences Payable	51,640	-	51,640
Retainage Payable	-	10,681	10,681
Interfund Payable	-	58,498	58,498
Unearned Revenue	-	94,466	94,466
<b>Total Liabilities</b>	<u>548,376</u>	<u>284,101</u>	<u>832,477</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	2,365,220	476,761	2,841,981
Unavailable Revenue - Delinquent Property Taxes	292,369	58,475	350,844
Unavailable Revenue - Income Taxes	2,215,581	116,610	2,332,191
Unavailable Revenue - Special Assessments	43,049	1,186,418	1,229,467
Unavailable Revenue - Other	432,432	190,763	623,195
<b>Total Deferred Inflows of Resources</b>	<u>5,348,651</u>	<u>2,029,027</u>	<u>7,377,678</u>
<b>FUND BALANCES</b>			
Nonspendable	387,647	154,797	542,444
Restricted	-	3,634,019	3,634,019
Assigned	1,351,968	-	1,351,968
Unassigned (Deficit)	5,254,594	(73,674)	5,180,920
<b>Total Fund Balances</b>	<u>6,994,209</u>	<u>3,715,142</u>	<u>10,709,351</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 12,891,236</u>	<u>\$ 6,028,270</u>	<u>\$ 18,919,506</u>

See accompanying notes to the basic financial statements.

**City of University Heights, Ohio**  
*Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities*  
*December 31, 2020*

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**Total Governmental Fund Balances** \$ 10,709,351

*Amounts reported for Governmental Activities in the Statement of Net Position are different because:*

Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds. 14,256,421

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds:

Delinquent Property taxes	350,844	
Municipal Income taxes	2,332,191	
Special assessments	1,229,467	
Intergovernmental	474,497	
Charges for services	129,183	
Other taxes	19,515	
Total		4,535,697

In the Statement of Activities, interest is accrued on outstanding debt, whereas in Governmental funds, an interest expenditure is reported when due. (3,399)

The net pension liability/asset and net OPEB asset are not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	3,789,571	
Deferred Inflows - Pension	(2,877,202)	
Net Pension Liability	(19,602,827)	
Net Pension Asset	67,964	
Deferred Outflows - OPEB	2,348,792	
Deferred Inflows - OPEB	(1,441,368)	
Net OPEB Liability	(5,090,750)	
Total		(22,805,820)

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

General obligation bonds	(1,690,000)	
OPWC loans	(390,180)	
Capital leases	(1,199,577)	
Compensated absences	(699,328)	
Total		(3,979,085)

**Net Position of Governmental Activities** \$ 2,713,165

See accompanying notes to the basic financial statements.

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

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Property Taxes	\$ 2,429,210	\$ 614,699	\$ 3,043,909
Municipal Income Taxes	9,715,790	226,825	9,942,615
Payments in lieu of taxes	-	373,855	373,855
Other Taxes	132,507	-	132,507
Intergovernmental	789,758	2,222,475	3,012,233
Interest	101,511	-	101,511
Licenses and Permits	415,292	2,005	417,297
Fines and Forfeitures	123,598	-	123,598
Charges for Services	336,792	7,365	344,157
Special Assessments	18,428	986,884	1,005,312
All Other Revenues	1,005,038	59,275	1,064,313
<b>Total Revenues</b>	<b>15,067,924</b>	<b>4,493,383</b>	<b>19,561,307</b>
<b>EXPENDITURES</b>			
Security of Persons and Property	8,698,132	1,231,864	9,929,996
Public Health and Welfare	73,788	-	73,788
Leisure Time Activities	18,653	-	18,653
Community Development	776,700	675,256	1,451,956
Basic Utility Services	1,144,822	639,782	1,784,604
Transportation	533,315	494,823	1,028,138
General Government	1,930,969	47,536	1,978,505
Capital Outlay	-	586,412	586,412
Debt Service:			
Principal Retirement	-	405,285	405,285
Interest and Fiscal Charges	-	49,863	49,863
<b>Total Expenditures</b>	<b>13,176,379</b>	<b>4,130,821</b>	<b>17,307,200</b>
Excess of Revenues Over (Under) Expenditures	<b>1,891,545</b>	<b>362,562</b>	<b>2,254,107</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Sale of Capital Assets	603	16,500	17,103
Transfer In	-	24,400	24,400
Transfer Out	(24,400)	-	(24,400)
<b>Total Other Financing Sources (Uses)</b>	<b>(23,797)</b>	<b>40,900</b>	<b>17,103</b>
Net Change in Fund Balances	1,867,748	403,462	2,271,210
 Fund Balances - Beginning of Year	 5,126,461	 3,311,680	 8,438,141
<b>Fund Balances - End of Year</b>	<b>\$ 6,994,209</b>	<b>\$ 3,715,142</b>	<b>\$ 10,709,351</b>

See accompanying notes to the basic financial statements.



**City of University Heights, 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** \$ 2,271,210

*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 outlay	\$ 464,100	
Depreciation	<u>(968,242)</u>	
Total		(504,142)

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

Property taxes	21,530	
Income taxes	(297,038)	
Special assessments	153,541	
Intergovernmental	(4,499)	
Charges for services	7,808	
Other taxes	150	
All other revenues	<u>(1,050)</u>	
Total		(119,558)

Repayment of various debt principal are expenditures in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 405,285

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows 1,535,468

Pension		1,535,468
OPEB		<u>27,990</u>

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

Pension		(2,857,490)
OPEB		(645,453)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental funds.

Compensated absences	34,307	
Capital Leases	106,846	
Accrued interest	<u>762</u>	
Total		141,915

**Change in Net Position of Governmental Activities** \$ 255,225

See accompanying notes to the basic financial statements.

**City of University Heights, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance –  
 Budget (Non-GAAP Budgetary Basis) and Actual – General Fund  
 For the Year Ended December 31, 2020*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>REVENUES:</b>				
Property Taxes	\$ 2,598,927	\$ 2,429,210	\$ 2,429,210	\$ -
Municipal Income Taxes	8,852,209	9,347,439	9,347,439	-
Other Taxes	126,961	134,064	134,064	-
Licenses and Permits	378,503	399,678	399,678	-
Fines and Forfeitures	123,770	130,694	130,694	-
Special Assessments	17,452	18,428	18,428	-
Charges for Services	318,054	335,847	335,847	-
Intergovernmental	776,205	819,629	819,629	-
Interest	61,880	65,342	65,342	-
All Other Revenues	949,219	1,002,323	1,002,323	-
<b>Total Revenues</b>	<u>14,203,180</u>	<u>14,682,654</u>	<u>14,682,654</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	2,339,965	2,238,875	2,008,182	230,693
Security of Persons and Property	9,865,285	9,551,690	8,900,872	650,818
Basic Utility Services	1,247,150	1,258,000	1,177,663	80,337
Transportation	538,510	601,000	559,775	41,225
Public Health and Welfare	73,788	73,788	73,788	-
Community Development	1,091,420	960,330	769,678	190,652
Leisure Time Activities	417,095	46,665	20,097	26,568
<b>Total Expenditures</b>	<u>15,573,213</u>	<u>14,730,348</u>	<u>13,510,055</u>	<u>1,220,293</u>
<b>Excess of Revenues over Expenditures</b>	<u>(1,370,033)</u>	<u>(47,694)</u>	<u>1,172,599</u>	<u>1,220,293</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Fixed Assets	603	603	603	-
Transfers Out	(58,000)	(38,000)	(62,400)	(24,400)
Advances In	42,500	40,000	40,000	-
Advances Out	(25,000)	(45,000)	(5,000)	40,000
<b>Total Other Financing Sources and Uses</b>	<u>(39,897)</u>	<u>(42,397)</u>	<u>(26,797)</u>	<u>15,600</u>
<b>Net Change in Fund Balance</b>	<u>(1,409,930)</u>	<u>(90,091)</u>	<u>1,145,802</u>	<u>1,235,893</u>
<b>Fund Balances, Beginning of the Year</b>	3,686,962	3,686,962	3,686,962	-
<b>Prior Year Encumbrances Appropriated</b>	245,837	245,837	245,837	-
<b>Fund Balances, Ending</b>	<u>\$ 2,522,869</u>	<u>\$ 3,842,708</u>	<u>\$ 5,078,601</u>	<u>\$ 1,235,893</u>

See accompanying notes to the basic financial statements.

# City of University Heights, Ohio

## Statement of Fiduciary Net Position

### Custodial Fund

December 31, 2020

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	<b>Custodial Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents with Fiscal Agent	\$ 36,675
<b>Total Assets</b>	<u>36,675</u>
<b>LIABILITIES</b>	
Accounts Payable	<u>1,590</u>
<b>Total Liabilities</b>	<u>1,590</u>
<b>NET POSITION</b>	
Restricted For:	
Individuals, Organizations, and Other Governments	<u>35,085</u>
<b>Total Net Position</b>	<u><u>\$ 35,085</u></u>

See accompany notes to the basic financial statements.

**City of University Heights, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Custodial Fund*  
*For the Year Ended December 31, 2020*

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	<b>Custodial Fund</b>
<b>ADDITIONS</b>	
Amounts Received as Fiscal Agent	\$ 29,000
<b>Total Additions</b>	<u>29,000</u>
<b>DEDUCTIONS</b>	
Distributions as Fiscal Agent	<u>9,831</u>
<b>Total Deductions</b>	<u>9,831</u>
Net Increase in Fiduciary Net Position	19,169
Net Position - Beginning of Year	<u>15,916</u>
<b>Net Position - End of Year</b>	<u><u>\$ 35,085</u></u>

See accompany notes to the basic financial statements.

# **City of University Heights, Ohio**

## *Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2020*

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### **Note 1: The Reporting Entity**

The City of University Heights, Ohio (the “City”) is a municipal corporation governed by an elected mayor and council.

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 University Heights, this includes police protection, fire fighting and prevention, street maintenance and repairs, building inspection, parks and recreation.

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 does not have any component units.

The City is associated with two organizations which are defined as a shared risk pool and a jointly governed organization. The Northern Ohio Management Association is a shared risk pool and the Northeast Ohio Public Energy Council is a jointly governed organization. The shared risk pool is presented in Note 16 and the jointly governed organization is presented in Note 19 to the basic financial statements.

### **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 local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

#### **A. Basis of Presentation**

The City’s basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

#### *Government-Wide Financial Statements*

The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal activity is eliminated to avoid doubling up revenues and expenses.

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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

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

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

**B. Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary. The City does not maintain any proprietary funds.

*Governmental Funds* – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of 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 compared to liabilities and deferred inflows of resources is reported as fund balance. The following is the City's major governmental fund:

*General Fund* – The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City and/or the general laws of Ohio.

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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

**B. Fund Accounting (continued)**

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

*Fiduciary Funds*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The City's fiduciary fund is a custodial fund. The custodial fund is used to account for fiscal agent activity.

**C. Measurement Focus**

*Government-Wide Financial Statements*

The government-wide financial statements are prepared using the flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Position, except for fiduciary funds. 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 along with current liabilities and deferred inflows 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 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 along with all liabilities and deferred inflows associated with the operation of these funds are included on the Statement of 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. The City has no proprietary funds.

Fiduciary funds are reported using a flow of economic resources measurement focus.

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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

**D. Basis of Accounting**

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

*Revenues – Exchange and Non-Exchange Transactions*

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned.

Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 7).

Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

*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 other postemployment benefits (OPEB). The deferred outflows of resources related to pension and OPEB are explained in Notes 9 and 10, respectively.



**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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

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

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 as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2020, but which were levied to finance year 2021 operations and project revenue represents imposed nonexchange revenues. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes, special assessments, intergovernmental, charges for services, other taxes and other revenues. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Notes 9 and 10).

*Expenses/Expenditures*

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

**E. Budgetary Process**

Annual budgets are adopted on a cash basis for all governmental funds. All annual appropriations lapse at fiscal year end.

The Mayor submits an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

The appropriated budget is prepared at the fund, department, personal services and other expenses level for all funds, which is the legal level of control. Transfers of appropriations between departments require the approval of the Council. Expenditures may not exceed appropriations at the legal level of control.

Encumbrance accounting is employed in governmental funds. In 2020, encumbrances (e.g., purchase orders and contracts) outstanding at year end lapsed and reverted to the respective fund from which it was originally appropriated and will become subject to future appropriations.

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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

**F. Cash and Cash Equivalents**

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

During 2020, the portfolio was limited to a money market mutual fund, negotiable certificates of deposits, and municipal bond. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2020 amounted to \$101,511, which includes \$41,369 assigned from other funds. GASB Statement No. 31 requires the change in fair value to be reported as revenue.

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.

**G. Inventory**

Inventories are stated at cost, on the first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased.

**H. Prepaid Items**

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

**I. Capital Assets**

General capital assets are those long-lived assets of the City as a whole. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of pavement, storm sewers, sanitary sewers and traffic lights. Improvements that add to the value of the asset or materially extend the life of an asset 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 University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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

**I. Capital Assets (continued)**

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	15-50 years
Equipment	5-20 years
Vehicles	5-25 years
Infrastructure	20-50 years

**J. Interfund Balances**

On the fund financial statements, receivables and payables resulting from transactions between funds for services provided or goods received and from short-term interfund loans are classified as "interfund receivables/payables." Interfund balance amounts are eliminated in the Statement of Net Position.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims, 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. Bonds, capital leases, and long-term loans are recognized as a liability on the fund financial statements when due.

**L. Compensated Absences**

The City accrues vacation and sick leave benefits as earned by its employees if the leave is attributable to past service and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

The City accrued these benefits for those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future. These benefits are measured using the pay rates in effect at December 31, 2020.

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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

**N. Fund Balance**

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

*Nonspendable* – The nonspendable fund balance classification includes amounts that cannot be spent because they are not spendable in form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as properly acquired for resale, unless the use of the proceeds from the collection of those receivables are from the sale of those properties is restricted, committed, or assigned.

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions 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) of the City’s Council. Those committed amounts cannot be used for any other purpose unless the City’s Council removes or changes the specified use by taking the same type of action (ordinance) 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 is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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

**N. Fund Balance (continued)**

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

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

**O. Net Position**

Net Position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. The restricted component of net position is reported when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The government-wide statement of net position reports \$5,314,848 of the restricted component of net position, none of which is restricted by enabling legislation. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

**P. Interfund Activity**

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2020.

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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

**R. Estimates**

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

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

**A. Changes in Accounting Principles**

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

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The implementation of this Statement did not have an effect on the financial statements of the City.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to 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 2020 financial statements; however, there was no effect on the beginning net position/fund balance.

**B. Restatement of Net Position**

During 2020, the City restated the net position of the governmental activities to correct nondepreciable Capital Asset - construction in progress as of December 31, 2019.

	Governmental Activities
Net Position December 31, 2019	\$ 2,757,868
Adjustments:	
Nondepreciable Capital Assets	(299,928)
Restated Net Position December 31, 2019	\$ 2,457,940

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
For the Year Ended December 31, 2020

**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 governmental funds. The constraints placed on fund balance for the major governmental funds and all other funds are presented below:

	General	Other Governmental Funds	Total
<b>Components of Fund Balance:</b>			
<i>Nonspendable</i>			
Prepaid Items	\$ 284,339	\$ 5,145	\$ 289,484
Materials and Supplies Inventory	103,308	149,652	252,960
<i>Total Nonspendable</i>	<u>387,647</u>	<u>154,797</u>	<u>542,444</u>
<i>Restricted</i>			
Streets and Highways	\$ -	\$ 822,098	\$ 822,098
Law Enforcement and Fire Safety	-	91,804	91,804
Sewers	-	1,085,976	1,085,976
Tree Improvement	-	503,688	503,688
Community Development	-	30,655	30,655
General Bond Retirement	-	342,455	342,455
Capital Improvements	-	701,075	701,075
Other	-	56,268	56,268
<i>Total Restricted</i>	<u>-</u>	<u>3,634,019</u>	<u>3,634,019</u>
<i>Assigned</i>			
Subsequent Year Appropriations	1,159,651	-	1,159,651
Law Enforcement and Fire Safety	123,621	-	123,621
Leisure Time Activities	1,831	-	1,831
Community Development	3,131	-	3,131
Basic Utility Services	15,923	-	15,923
General Government	43,994	-	43,994
Transportation	3,817	-	3,817
<i>Total Assigned</i>	<u>1,351,968</u>	<u>-</u>	<u>1,351,968</u>
<i>Unassigned</i>	5,254,594	(73,674)	5,180,920
<b>Total Fund Balance</b>	<u><u>\$ 6,994,209</u></u>	<u><u>\$ 3,715,142</u></u>	<u><u>\$ 10,709,351</u></u>

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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**Note 5: 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), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are identified as follows:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and
- (d) The Unclaimed Monies Fund is included in the General Fund (GAAP basis), but has a separate legally adopted budget (budget basis).
- (e) Encumbrances are treated as expenditures (budget basis) rather than as a part of restricted, committed, or assigned fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the General Fund.

Net Change in Fund Balance	
GAAP Basis	\$ 1,867,748
Increase (Decrease) Due to:	
Revenue Accruals	(385,270)
Expenditure Accruals	(128,622)
Advances In	40,000
Advances Out	(5,000)
Net Impact of Encumbrances	(230,054)
Separate legally adopted budget	(13,000)
Budgetary Basis	<u><u>\$ 1,145,802</u></u>



**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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**Note 6: Deposits and Investments**

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

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

Inactive deposits are monies identified as not required for use within the current five-year period of designation of depositories. Inactive deposits 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 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 monies may be deposited or invested in the following securities:

1. United States Treasury notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily;
4. Investment grade obligations of state and local governments, and public authorities;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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

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

*Cash on Hand*

At year-end, the City had \$250 in undeposited cash on hand, which is included on the balance sheet of the City as part of equity in pooled cash and cash equivalents.

*Deposits*

*Custodial credit risk* for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of the City's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by establishing and pledging to the Treasurer of State a single pool of collateral for the benefit of every public depositor. The total market value of the securities pledged must meet either of the following:

One hundred two percent of the total amount of all uninsured public deposits; or

An amount determined by rules adopted by the treasurer of state that set forth the criteria for determining the aggregate market value of the pool of eligible securities pledged by a public depository.

At year-end, the carrying amount of the City's deposits was \$2,090,313, and the bank balance was \$2,586,245. Of the bank balance, \$335,292 was covered by federal depository insurance. The remaining uninsured balance was collateralized through the Ohio Pooled Collateral System.

*Investments*

Fair value is determined by quoted market prices and acceptable other pricing methodologies. As of December 31, 2020, the city had the following investments:

	Measurement Value	Credit Rating	Investment Maturities (in Years)		
			<1	1-3	3-5
<u>Investment Type:</u>					
Money Market Mutual Fund	\$ 2,524,040	AAAm	\$ 2,524,040	\$ -	\$ -
Negotiable CD's	2,012,162	N/A	251,159	1,013,784	747,219
Municipal Bond	2,439,641	Aaa	2,439,641	-	-
Total Investments	<u>6,975,843</u>		<u>\$ 5,214,840</u>	<u>\$ 1,013,784</u>	<u>\$ 747,219</u>

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of December 31, 2020.

- Negotiable certificates of deposit and U.S. agencies are measured based on Level 2 inputs, using a matrix or model pricing method.
- Money market is based on Level 1 inputs and is valued at amortized costs, which approximates fair value.
- Municipal Bond

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

*Custodial Risk* for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the City must meet a set of prescribed standards and be periodically reviewed. The entire balance of the negotiable certificates of deposit is covered by FDIC insurance.

*Credit Risk* is addressed by the City's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that portfolio be diversified both by types of investment and issuer. The City's investment in the U.S. agencies carry a rating of AA+ by Standard & Poor's. The negotiable certificate of deposits and money market are unrated. Municipal bond is rated Aaa by Standard & Poor.

*Concentration of Credit Risk* is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The City's investment policy places no limit on the amount the City may invest in one issuer. The following is the City's allocation as of December 31, 2020:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Money Market Mutual Fund	36%
Negotiable CD's	29%
Municipal Bond	35%

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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**Note 7: Receivables**

**A. Property Taxes**

Property taxes include amounts levied against all real property and public utility tangible personal property located in the City. Property tax revenue received during 2020 for real and public utility property taxes represents collections for 2019 taxes. Property tax payments received during 2020 for tangible personal property, except for public utility property, are for prior year unpaid tangible personal property taxes.

Real property taxes (other than public utility property) are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by the Cuyahoga County Auditor at 35 percent of the appraised market value, and reappraisal of all property is required every six years with a triennial update. The last appraisal was completed in 2018 and an update is scheduled for 2021.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due mid January with the remainder payable by mid-July. Taxes not paid become delinquent after December 31 of the year in which payable. Under certain circumstances, State statute permits earlier or 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. Public utility real and tangible personal property taxes collected during the calendar year were levied in the preceding calendar year based on assessed values as of January 1 of that preceding year, the lien date.

Tangible personal property used in business (except for public utilities) was phased out – the assessment percentage for all property including inventory for 2020 is zero. Amounts for prior year unpaid tangible personal property taxes may still be collected. Under Ohio law, personal property taxes do not attach as a lien on the personal property.

While property tax rates are levied by the City, the Cuyahoga County Fiscal Officer is statutorily responsible for administering and collecting real property taxes on the behalf of all taxing authorities in the county, including the City.

The tax rate levied to finance the City's services for the year ended December 31, 2020 was \$13.20. The assessed values of real and public utility property upon which 2020 property tax receipts were based are as follows:

<u>Property Category</u>	<u>Assessed Value</u>
Residential/ agricultural	\$ 226,747,270
Commercial/ industrial	31,406,890
Public Utility	4,305,350
	<u>\$ 262,459,510</u>

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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**Note 7:     Receivables (continued)**

**B. Income Taxes**

The City levies municipal income tax of 2.5% on all salaries, wages, commissions and other compensation, and net profits earned within the City, as well as incomes of residents earned outside of the City. In the latter case, the City does allow a 1.0% credit for income tax paid to another municipality.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. The Regional Income Tax Agency collects municipal income taxes for the City. Income tax revenue is credited to the General Fund (95%) and the Capital Improvements Fund (5%).

**C. Intergovernmental Receivables**

A summary of intergovernmental receivables follows:

Revenue Description	Amount
Local Government	\$ 188,365
Homestead and Rollback	198,605
Gasoline and Auto Registration tax	240,634
Permissive tax	4,657
Total	<u>\$ 632,261</u>

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**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
For the Year Ended December 31, 2020

**Note 8: Capital Assets**

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

	Restated Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020
<b><u>Governmental Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$ 858,369	\$ 4,175	\$ -	\$ 862,544
Construction in Progress	2,245,426	82,978	(2,314,456)	13,948
Total Capital Assets Not Being Depreciated	<u>3,103,795</u>	<u>87,153</u>	<u>(2,314,456)</u>	<u>876,492</u>
Capital Assets Being Depreciated:				
Buildings & Improvements	3,338,326	-	-	3,338,326
Vehicles	4,679,431	1,306,423	(365,000)	5,620,854
Equipment	1,074,680	289,052	-	1,363,732
Subtotal	<u>9,092,437</u>	<u>1,595,475</u>	<u>(365,000)</u>	<u>10,322,912</u>
Infrastructure:				
Pavement	10,449,013	1,055,187	-	11,504,200
Traffic Lights	44,588	40,741	-	85,329
Storm Sewers	230,271	-	-	230,271
Sanitary Sewers	1,235,057	-	-	1,235,057
Total Infrastructure	<u>11,958,929</u>	<u>1,095,928</u>	<u>-</u>	<u>13,054,857</u>
Total Capital Assets Being Depreciated	<u>21,051,366</u>	<u>2,691,403</u>	<u>(365,000)</u>	<u>23,377,769</u>
Less: Accumulated Depreciation:				
Building and Improvements	(1,421,074)	(57,330)	-	(1,478,404)
Vehicles	(1,940,120)	(292,895)	365,000	(1,868,015)
Equipment	(874,672)	(65,726)	-	(940,398)
Subtotal	<u>(4,235,866)</u>	<u>(415,951)</u>	<u>365,000</u>	<u>(4,286,817)</u>
Infrastructure				
Pavement	(4,817,323)	(525,579)	-	(5,342,902)
Traffic Lights	(5,550)	(3,248)	-	(8,798)
Storm Sewers	(78,174)	(2,879)	-	(81,053)
Sanitary Sewers	(257,685)	(20,585)	-	(278,270)
Subtotal	<u>(5,158,732)</u>	<u>(552,291)</u>	<u>-</u>	<u>(5,711,023)</u>
Total Accumulated Depreciation	<u>(9,394,598)</u>	<u>(968,242) *</u>	<u>365,000</u>	<u>(9,997,840)</u>
Total Capital Assets Being Depreciated, Net	<u>11,656,768</u>	<u>1,723,161</u>	<u>-</u>	<u>13,379,929</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,760,563</u>	<u>\$ 1,810,314</u>	<u>\$ (2,314,456)</u>	<u>\$ 14,256,421</u>

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

Security of Persons and Property	\$ 169,462
Leisure Time Activities	37,224
Community Environment	11,273
Basic Utility Services	94,489
Transportation	612,784
General Government	43,010
Total Depreciation Expense	<u>\$ 968,242</u>

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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**Note 9: Defined Benefit Pension Plans**

**A. Net Pension Liability/Asset**

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

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

Plan Description - City employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

**Note 9: Defined Benefit Pension Plans (continued)**

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

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

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

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
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
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 62 with 60 months of service credit or Age 57 with 25 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

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



**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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**Note 9: Defined Benefit Pension Plans (continued)**

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

A death benefit of \$500 - \$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Tradition pension plan and the Combined Plan.

The OPERS Board of Trustees approved a proposal at its October 2019 meeting to create a new tier of membership in the OPERS traditional pension plan. OPERS currently splits its non-retired membership into Group A, B or C depending on age and service criteria. Retirement Group D would consist of OPERS contributing members hired in 2022 and beyond. Group D will have its own eligibility standards, benefit structure and unique member features designed to meet the changing needs of Ohio public workers. It also will help OPERS address expected investment market volatility and adjust to the lack of available funding for health care.

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

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**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

**Note 9: Defined Benefit Pension Plans (continued)**

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

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

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

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

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

The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 0% for 2020 for the Traditional and Combined plans. The portion of the employer's contribution allocated to health care was 4% for the Member-Directed plan for 2020. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contributions was \$358,556 for fiscal year ending December 31, 2020. Of this amount, \$4,705 is reported as an intergovernmental payable.

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

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

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

**Note 9: Defined Benefit Pension Plans (continued)**

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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

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

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

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

**Note 9: Defined Benefit Pension Plans (continued)**

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$1,176,912 for 2020. Of this amount, \$17,440 is reported as an intergovernmental payable.

**D. Pension Liabilities, Pension Assets, Pension Expense, 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/asset used to calculate the net pension liability/asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 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:

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan	OP&F Police	OP&F Fire	Total
Proportion of the Net Pension Liability/Asset Prior Measurement Date	0.018615%	0.01207%	0.100727%	0.120491%	
Proportion of the Net Pension Liability/Asset Current Measurement Date	0.020597%	0.03259%	0.101438%	0.129121%	
Change in Proportionate Share	0.001982%	0.02052%	0.000711%	0.008631%	
Proportionate Share of the Net Pension Liability/(Asset)	\$ 4,071,137	\$ (67,964)	\$ 6,833,377	\$ 8,698,313	\$ 19,534,863
Pension Expense	\$ 771,331	\$ 4,918	\$ 871,663	\$ 1,209,578	\$ 2,857,490

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**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
For the Year Ended December 31, 2020

**Note 9: Defined Benefit Pension Plans (continued)**

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

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

	OPERS	OP&F Police	OP&F Fire	Total
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	\$ -	\$ 258,669	\$ 329,259	\$ 587,928
Changes of assumptions	224,455	167,742	213,520	605,717
Changes in proportion and differences between City contributions and proportionate share of contributions	262,255	199,173	599,030	1,060,458
City contributions subsequent to the measurement date	358,556	510,036	666,876	1,535,468
Total Deferred Outflows of Resources	<u>\$ 845,266</u>	<u>\$ 1,135,620</u>	<u>\$ 1,808,685</u>	<u>\$ 3,789,571</u>
<b>Deferred Inflows of Resources</b>				
Net difference between projected and actual earnings on pension plan investments	\$ 820,912	\$ 330,107	\$ 420,200	\$ 1,571,219
Differences between expected and actual experience	67,428	352,423	448,607	868,458
Changes in proportion and differences between City contributions and proportionate share of contributions	33,969	265,662	137,894	437,525
Total Deferred Inflows of Resources	<u>\$ 922,309</u>	<u>\$ 948,192</u>	<u>\$ 1,006,701</u>	<u>\$ 2,877,202</u>

\$1,535,468 reported as deferred outflows of resources related to pension resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F Police	OP&F Fire	Total
Year Ending December 31:				
2021	\$ 54,665	\$ (73,382)	\$ 6,614	\$ (12,103)
2022	(176,079)	(49,363)	77,912	(147,530)
2023	29,054	125,681	321,441	476,176
2024	(330,267)	(298,459)	(271,049)	(899,775)
2025	(3,703)	(27,085)	190	(30,598)
Thereafter	(9,269)	-	-	(9,269)
Total	<u>\$ (435,599)</u>	<u>\$ (322,608)</u>	<u>\$ 135,108</u>	<u>\$ (623,099)</u>

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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**Note 9: Defined Benefit Pension Plans (continued)**

**E. Actuarial Assumptions – OPERS**

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

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 1.40 percent, simple through 2020, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

The total pension asset in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 1.40 percent, simple through 2020, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

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

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
For the Year Ended December 31, 2020

**Note 9: Defined Benefit Pension Plans (continued)**

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

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

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

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was at a gain of 17.23 percent for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

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

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
For the Year Ended December 31, 2020

**Note 9: Defined Benefit Pension Plans (continued)**

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

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

City's proportionate share of the net pension liability/(asset)	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Traditional Pension Plan	\$ 6,714,622	\$ 4,071,137	\$ 1,694,721
Combined Plan	\$ (41,067)	\$ (67,964)	\$ (87,349)

***Changes Between Measurement Date and Report Date***

Subsequent to December 31, 2019, the global economy was impacted by the COVID-19 pandemic and market volatility increased significantly. It is likely that 2020 investment market conditions and other economic factors will be negatively impacted; however, the overall impact on the OPERS investment portfolio and funding position is unknown at this time.

**F. 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 reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

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

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple, 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent



**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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**Note 9: Defined Benefit Pension Plans (continued)**

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

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the 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.

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

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

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

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**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
For the Year Ended December 31, 2020

**Note 9: Defined Benefit Pension Plans (continued)**

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

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	10 year Expected Real Rate of Return **	30 year Expected Real Rate of Return **
Cash and Cash Equivalents	0.00 %	0.10 %	1.00 %
Domestic Equity	16.00	3.90	5.40
International Equity	16.00	4.70	5.80
Core Fixed Income *	23.00	1.10	2.70
U.S. Inflation Linked Bonds *	17.00	0.40	2.50
High Yield Fixed Income	7.00	2.50	4.70
Private Real Estate	12.00	5.40	6.40
Private Markets	8.00	6.10	8.00
Midstream Energy Infrastructure	8.00	5.80	6.60
Private Credit	5.00	4.80	5.50
Real Assets	8.00	6.90	7.40
Total	120.00 %		

Note: Assumptions are geometric

\* levered 2x

\*\* numbers are net of expected inflation

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

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 21,526,382	\$ 15,531,690	\$ 10,517,724

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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**Note 9: Defined Benefit Pension Plans (continued)**

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

***Changes Between Measurement Date and Report Date***

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of OP&F, including the fair value of OP&F's investment portfolio. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that may be recognized in subsequent periods cannot be determined with half of the fiscal year remaining. In addition, the impact on the OP&F's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**Note 10: Postemployment Benefits**

**A. Net OPEB Liability**

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

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

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

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

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

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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**Note 10: Postemployment Benefits (Continued)**

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

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' 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 requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

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. 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.

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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**Note 10: Postemployment Benefits (Continued)**

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

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 \$379 for 2020. Of this amount, \$362 is reported as an intergovernmental payable.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) a cost-sharing, multiple-employer defined post-employment healthcare plan that provides various levels of health care to retired, disabled and beneficiaries, as well as their dependents. On January 1, 2019, OP&F changed the way it supports retiree health care. A stipend-based health care model has replaced the self-insured group health care plan that had been in place. A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses. As a result of this change, it is expected that the solvency of the Health Care Stabilization Fund (HCSF) will be extended allowing OP&F to provide stipends to eligible participants.

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

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

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

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

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
For the Year Ended December 31, 2020

**Note 10: Postemployment Benefits (continued)**

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 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 and is limited by the provisions of Sections 115 and 401(h).

The City's contractually required contribution to OP&F was \$ 27,611 for 2020. Of this amount, \$411 is reported as intergovernmental payable at December 31, 2020.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 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&amp;F</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.017876%	0.2212175%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.020368%</u>	<u>0.2305591%</u>	
Change in Proportionate Share	<u>0.002492%</u>	<u>0.0093416%</u>	
Proportionate Share of the Net OPEB			
Liability	\$ 2,813,350	\$ 2,277,400	\$ 5,090,750
OPEB Expense	\$ 386,550	\$ 258,903	\$ 645,453

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
For the Year Ended December 31, 2020

**Note 10: Postemployment Benefits (continued)**

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

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

	OPERS	OP&F	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 75	\$ -	\$ 75
Changes of assumptions	445,326	1,331,455	1,776,781
Changes in proportion and differences between City contributions and proportionate share of contributions	186,341	357,605	543,946
City contributions subsequent to the measurement date	379	27,611	27,990
Total Deferred Outflows of Resources	<u>\$ 632,121</u>	<u>\$ 1,716,671</u>	<u>\$ 2,348,792</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ 257,293	\$ 244,913	\$ 502,206
Changes of assumptions	-	485,348	485,348
Net difference between projected and actual earnings on OPEB plan investments	143,256	104,797	248,053
Changes in proportion and differences between City contributions and proportionate share of contributions	11,082	194,679	205,761
Total Deferred Inflows of Resources	<u>\$ 411,631</u>	<u>\$ 1,029,737</u>	<u>\$ 1,441,368</u>

The \$27,990 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	\$171,674	\$115,690	\$287,364
2022	109,537	115,691	225,228
2023	116	137,187	137,303
2024	(61,216)	103,295	42,079
2025	0	122,320	122,320
Thereafter	0	65,140	65,140
Total	<u>\$220,111</u>	<u>\$659,323</u>	<u>\$879,434</u>

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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**Note 10: Postemployment Benefits (continued)**

**E. Actuarial Assumptions – OPERS**

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

Projections of benefits for financial reporting purposes are based on the substantive plan 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	2.75 percent
Health Care Cost Trend Rate	10.5 percent, initial 3.25 percent, ultimate in 2030
Actuarial Cost Method	Individual Entry Age

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

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

The long-term 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.



**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
For the Year Ended December 31, 2020

**Note 10: Postemployment Benefits (continued)**

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

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

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

The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
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.

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
For the Year Ended December 31, 2020

**Note 10: Postemployment Benefits (continued)**

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

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:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
City's proportionate share of the net OPEB liability	\$3,681,720	\$2,813,350	\$2,118,068

***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 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	\$2,730,330	\$2,813,350	\$2,895,311

***Changes between Measurement Date and Report Date***

Subsequent to December 31, 2019, the global economy was impacted by the COVID-19 pandemic and market volatility increased significantly. It is likely that 2020 investment market conditions and other economic factors will be negatively impacted; however, the overall impact on the OPERS investment portfolio and funding position is unknown at this time.

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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**Note 10: Postemployment Benefits (continued)**

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

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.

**F. 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 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.

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
For the Year Ended December 31, 2020

**Note 10: Postemployment Benefits (continued)**

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

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	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 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 long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class.

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
For the Year Ended December 31, 2020

**Note 10: Postemployment Benefits (continued)**

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

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	10 year Expected Real Rate of Return **	30 year Expected Real Rate of Return **
Cash and Cash Equivalents	0.00 %	0.10 %	1.00 %
Domestic Equity	16.00	3.90	5.40
Non-US Equity	16.00	4.70	5.80
Core Fixed Income *	23.00	1.10	2.70
U.S. Inflation Linked Bonds *	17.00	0.40	2.50
High Yield Fixed Income	7.00	2.50	4.70
Real Estate	12.00	6.90	7.40
Private Markets	8.00	6.10	8.00
Master Limited Partnerships	8.00	5.80	6.60
Private Credit	5.00	4.80	5.50
Real Assets	8.00	6.90	7.40
Total	120.00 %		

Note: Assumptions are geometric

\* levered 2x

\*\* numbers are net of expected inflation

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

**Discount Rate** The total OPEB liability was calculated using the discount rate of 3.56 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 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. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 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.

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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**Note 10: Postemployment Benefits (continued)**

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

***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	\$2,823,829	\$2,277,400	\$1,823,356

***Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate*** Net OPEB liability is sensitive to changes in the health care cost trend rate because it is based on a medical benefit that is a flat dollar amount.

***Changes between Measurement Date and Report Date***

Subsequent to December 31, 2019, the global economy was impacted by the COVID-19 pandemic and market volatility increased significantly. It is likely that 2020 investment market conditions and other economic factors will be negatively impacted; however, the overall impact on the OPERS investment portfolio and funding position is unknown at this time.

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**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
For the Year Ended December 31, 2020

**Note 11: Long-term Obligations**

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2020 was as follows:

	Balance 12/31/2019	Additions	Retired	Balance 12/31/2020	Due Within One Year
<b>General Obligation Bonds</b>					
2.40% 2013 Various Purpose Bonds	\$ 820,000	\$ -	\$ 270,000	\$ 550,000	\$ 270,000
2.42% 2015 Park Improvement Bonds	1,250,000	-	110,000	1,140,000	115,000
<b>Total General Obligation Bonds</b>	<u>2,070,000</u>	<u>-</u>	<u>380,000</u>	<u>1,690,000</u>	<u>385,000</u>
<b>Ohio Public Works Commission- Direct Borrowing</b>					
0.00% Issue II Loan	53,606	-	8,934	44,672	17,868
0.00% Meadowbrook Sanitary Sewer	95,970	-	6,855	89,115	13,710
0.00% Meadowbrook Rehabilitation Phase II	265,889	-	9,496	256,393	18,992
<b>Total Ohio Public Works Commission</b>	<u>415,465</u>	<u>-</u>	<u>25,285</u>	<u>390,180</u>	<u>50,570</u>
<b>Net Pension Liability</b>					
OPERS	5,098,271	-	1,027,134	4,071,137	-
OP&F	18,057,194	-	2,525,504	15,531,690	-
<b>Total Net Pension Liability</b>	<u>23,155,465</u>	<u>-</u>	<u>3,552,638</u>	<u>19,602,827</u>	<u>-</u>
<b>Net OPEB Liability</b>					
OPERS	2,330,608	482,742	-	2,813,350	-
OP&F	2,014,525	262,875	-	2,277,400	-
<b>Total Net OPEB Liability</b>	<u>4,345,133</u>	<u>745,617</u>	<u>-</u>	<u>5,090,750</u>	<u>-</u>
<b>Other Obligations</b>					
Capital leases payable	1,306,423	-	106,846	1,199,577	114,997
Accrued Compensated Absences	733,635	392,227	426,534	699,328	412,113
<b>Total Other Obligations</b>	<u>2,040,058</u>	<u>392,227</u>	<u>533,380</u>	<u>1,898,905</u>	<u>527,110</u>
<b>Total Long-Term Liabilities</b>	<u>\$ 32,026,121</u>	<u>\$ 1,137,844</u>	<u>\$ 4,491,303</u>	<u>\$ 28,672,662</u>	<u>\$ 962,680</u>

Principal and interest requirement to retire the long-term debt obligations outstanding at December 31, 2020 were as follows:

Year	Governmental Activities				
	General Obligation Bonds		OPWC Loans	Total	
	Principal	Interest	Principal	Principal	Interest
2021	\$ 385,000	\$ 40,788	\$ 50,570	\$ 435,570	\$ 40,788
2022	400,000	31,525	50,571	450,571	31,525
2023	120,000	21,902	41,636	161,636	21,902
2024	125,000	18,996	32,702	157,702	18,996
2025	125,000	15,972	32,702	157,702	15,972
2026-2030	535,000	32,792	115,525	650,525	32,792
2031-2033	-	-	66,474	66,474	-
Totals	<u>\$ 1,690,000</u>	<u>\$ 161,975</u>	<u>\$ 390,180</u>	<u>\$ 2,080,180</u>	<u>\$ 161,975</u>

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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**Note 11: Long-term Obligations (continued)**

General obligation bonds are direct obligations of the City and will be paid from the General Bond Retirement Fund using property tax revenues.

On March 20, 2013, the City issued Various Purpose Bonds, Series 2013 of \$2,280,000 with an interest rate of 2.40% to retire 2012 General Obligation Bond Anticipation Notes.

On August 27, 2015, the City issued Park Improvement Bonds, Series 2015 of \$1,800,000 with an interest rate of 2.42% percent for the purpose of creating a new public park.

The Ohio Public Works Commission (OPWC) intercommunity sewer project will be paid from the Sewer Replacement "A" Fund. This loan was issued in 2001 for \$330,270 and an additional \$27,105 in 2002. The OPWC Meadowbrook Boulevard loans will be paid from the Issue II fund. The first loan was issued in 2007 for \$274,200 and Phase II loan was issued in 2007 and 2008 for \$379,841 with the first payment in the amount of \$18,992 started in 2014.

The City's total direct borrowings from OPWC contain a provision that in an event of default the amount of such default shall bear interest thereafter at the rate of 8 percent per annum until the date of payment, and outstanding amounts become immediately due. Also, OPWC may direct the county treasurer to pay the outstanding amount from portion of the local government fund that would otherwise be appropriated to the City.

Compensated absences will be paid by the fund from which the employee's salary is paid. There is no repayment schedule for net pension or net OPEB liabilities; however, employer pension and OPEB contributions are made from the General Fund. See Notes 9 and 10 for further information on the City's pension and OPEB plans. See Note 20 for further information on the City's capital lease.

**Note 12: Risk Management**

**A. Property and Liability**

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. In October 1989, the City joined together with neighboring cities to form the Northern Ohio Risk Management Association (NORMA), a not-for-profit corporation, for the purpose of obtaining property, liability and vehicle insurance and providing for a formalized, jointly administered self-insurance fund. The City pays an annual premium to NORMA for its insurance coverage. This coverage is paid from the General Fund.

The agreement of formation of NORMA provides that NORMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the limits described in the agreement. NORMA is a separate and independent entity governed by its own set of by-laws and constitution. All assets and liabilities are the responsibility of NORMA. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the City. The City is not liable nor will it receive a cash balance of past claims upon departure from the pool. There has not been a significant reduction in coverage from the prior year and claims have not exceeded coverage provided by NORMA in any of the last three years.



**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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**Note 12: Risk Management (continued)**

**B. Workers' Compensation**

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.

**C. Employee Health Benefits**

The City provides employee medical, prescription drug and dental benefits through the purchase of fully-insured commercial policies. The City's liability for employee health benefits is limited to the cost of policy premiums.

**Note 13: Compensated Absences**

Full-time employees are eligible to earn vacation leave. Vacation leave is earned on a calendar year basis at rates which vary depending upon length of service and bargaining unit. Vacation leave is non-cumulative and expires at the end of the calendar year, unless usage of the vacation was prevented due to extraordinary circumstances and the carryover of vacation is approved by the Mayor. Upon separation from the City, employees are paid for earned, unused vacation leave if the employee has at least one year of continuous service with the City.

Collective bargaining unit members are eligible to earn compensatory time in lieu of overtime compensation; non-bargaining unit employees are ineligible to earn compensatory time. The maximum compensatory time accrual before mandatory cash out of compensatory time varies depending upon the collective bargaining unit contract.

Full-time and part-time employees are eligible to earn sick leave; temporary and seasonal employees are ineligible to earn sick leave. Sick leave is earned at a rate of 4.6 hours for every 80 hours worked. There is no maximum sick leave accrual.

For non-bargaining employees, upon retirement from the City or death while an employee of the City, employees are paid for accumulated, unused sick leave at a rate of twenty-five percent of the first 2,000 hours and forty percent for the remaining hours. For non-bargaining employees, upon voluntary separation from the City, employees with ten years of service with the City are eligible to cash out accumulated, unused sick leave at a rate of one percent for every year of service with the City. For non-bargaining employees, upon involuntary separation from the City, there is no payment for accumulated, unused sick leave.

For collective bargaining unit members, upon retirement from the City after a minimum of ten years of service with the City, employees are paid for accumulated, unused sick leave at a rate of twenty-five percent of the first 2,000 hours and forty percent for the remaining hours. For collective bargaining unit members, upon separation from the City, employees with ten years of service with the City are eligible to cash out accumulated, unused sick leave at a rate of one percent for every year of service with the City.

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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**Note 14: Contingencies/Pending Litigation**

**A. Grants**

The City has received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements and is 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.

**B. Litigation**

The City is party to a few claims and lawsuits. The amount of liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material effect on the overall position of the City at December 31, 2020.

**Note 15: Interfund Activity**

**A. Interfund Transfers**

Interfund transfers for the year ended December 31, 2020, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Fund</u>		
General	\$ -	\$ 24,400
Nonmajor Governmental Funds	24,400	-
Total	<u>\$ 24,400</u>	<u>\$ 24,400</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; distribute unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The City had no transfers that either do not occur on a regular basis or were inconsistent with the purpose of the fund making the transfer.

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

**Note 15: Interfund Activity (continued)**

**B. Interfund Balances**

Interfund balances for the year ended December 31, 2020, consisted of the following:

	<u>Receivables</u>	<u>Payables</u>
<b>Major Funds</b>		
General	\$ 58,498	\$ -
<b>Nonmajor Funds</b>		
<i>Special Revenue Funds:</i>		
ODNR Grant	-	27,690
CDBG Grant	-	22,018
BCI & FBI Fee	-	5,000
ODPS Training	-	3,790
	<u>\$ 58,498</u>	<u>\$ 58,498</u>

The interfund receivables and payables listed above result from a difference in the timing of when expenses are recognized in accordance with generally accepted accounting principles and when the related interfund subsidies are budgeted for payment on a cash basis.

**Note 16: Shared Risk Pool**

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of the Cities of Beachwood, Bedford Heights, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid, University Heights and the Village of Chagrin Falls. NORMA was formed to enable its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA Self-Insurance Pool, Inc. to administer the pool. NORMA is governed by a board of trustees that consists of the Mayor from each of the participating members.

Each entity must remain a member for at least three years from the commencement date of October 1, 1987, with the exception of the Cities of Eastlake and Solon whose commencement date is October 1, 1989, the City of Maple Heights, whose commencement date is October 1, 1993, the City of University Heights, whose commencement date is October 1, 2008, and the City of Beachwood, whose commencement date is November 30, 2017. After the initial three years, each City may extend its term in three-year increments. The City is currently committed as a member through September 30, 2021.

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, a maximum of \$97,500 per occurrence, will come from the self-insurance pool with any excess paid from the specific stop-loss coverage carried by the pool. The self-insurance pool will pay up to \$800,000 per policy year before the aggregate stop-loss coverage takes over. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 2020, the City of University Heights paid \$97,711 in premiums from the General Fund, which represents 5.92 percent of the total premiums paid by all members. Financial information can be obtained by contacting Jeffrey Knoblauch, Board President, care of the City of Hudson Finance Department, 115 Executive Parkway, Suite 400, Hudson, OH 44236.

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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**Note 17: Accountability**

The Special Revenue ODNR Grant, Special Revenue CDBG, Special Revenue Construction Deposit, Special Revenue Street Lighting, and Special Revenue BCI and FBI Fee had fund deficits of \$27,043, \$22,018, \$7,922, \$15,953 and \$738, respectively, at December 31, 2020. The deficits in these funds are due to accrued liabilities. The General Fund provides transfers when cash is required, not when accruals occur.

**Note 18: Construction Commitments**

The City has projects in process for the Cedar Road Resurfacing and the Washington/ Silsby/Saybrook Intersection. As of December 31, 2020, the City still has \$863 and \$13,085 remaining to be paid, respectively.

**Note 19: Jointly Governed Organizations**

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 240 communities who have been authorized by ballot to purchase electricity and/or natural gas on behalf of their citizens; the City participates with both the electricity and natural gas programs. The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not contribute to NOPEC during 2020. Financial information can be obtained by contacting Ronald McVoy, Board Chairman, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

**Note 20: Capital Lease**

The City has entered into a new lease agreement for the acquisition of a ladder truck as collateral. The following is a schedule of the future long-term minimum lease payments required under the capital lease as of December 31, 2020:

Year	Payments
2021	\$ 158,756
2022	158,756
2023	158,756
2024	158,756
2025	158,756
Thereafter	635,024
	<u>1,428,804</u>
Less: Amount Representing Interest	(229,227)
Present Value of Minimum Lease Payment	<u><u>\$ 1,199,577</u></u>

The following table is a schedule of the present value of the lease as of December 31, 2020.

	Governmental Activities
Capital Assets Being Depreciated Vehicles	<u>\$ 1,306,423</u>
Less Accumulated Depreciation Vehicles	<u>43,548</u>
Capital Lease, Net	<u><u>\$ 1,262,875</u></u>

In the event of a default the following may occur (a) the lessor may declare all lease amounts and other amounts payable by lessee due and payable (b) lessor may terminate the property schedule and retake possession of the property at the City's expense (c) lessor may take action, at law or in equity, that may appear necessary or desirable to enforce or to protect any of its rights. In addition, the City will remain liable for all covenants and indemnities under this agreement and for all legal fees and other costs and expenses, incurred by the lessor with respect to the enforcements of any of the remedies.

**City of University Heights, Ohio**  
*Notes to the Basic Financial Statements (continued)*  
*For the Year Ended December 31, 2020*

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**Note 21: Other Significant Commitments**

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are components of fund balance for subsequent year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. As of December 31, 2020, the City's commitments for encumbrances in the governmental funds were as follows:

	Encumbrances Outstanding
Major Fund:	
General	\$ 192,317
Nonmajor Funds:	
Special Revenue Funds	285,610
Total	<u>\$ 477,927</u>

**Note 22: COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The investments of the pension and other employee benefit plan in which the City participates fluctuate with market conditions, and due to market volatility, the amounts of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact of 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 University Heights, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the Net Pension Liability*  
*Ohio Public Employee Retirement System*  
*For the Seven Years (1)*

<b>Traditional Plan</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension Liability	0.020597%	0.018615%	0.018804%	0.019819%	0.019172%	0.018785%	0.018785%
City's Proportionate Share of the Net Pension Liability	\$ 4,071,137	\$ 5,098,271	\$ 2,949,984	\$ 4,500,558	\$ 3,320,832	\$ 2,265,681	\$ 2,214,507
City's Covered Payroll	\$ 2,903,721	\$ 2,508,600	\$ 2,484,954	\$ 2,561,983	\$ 2,386,092	\$ 2,310,675	\$ 2,140,177
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	140.20%	203.23%	118.71%	175.67%	139.17%	98.05%	103.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%
<b>Combined Plan</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension (Asset)	0.032593%	0.012073%	0.012249%	0.015336%	0.012960%	0.008464%	0.008464%
City's Proportionate Share of the Net Pension (Asset)	\$ (67,964)	\$ (13,500)	\$ 16,674	\$ 8,536	\$ 6,307	\$ 3,259	\$ 888
City's Covered Payroll	\$ 139,393	\$ 57,300	\$ 50,169	\$ 59,692	\$ 47,158	\$ 31,175	\$ 28,877
City's Proportionate Share of the Net Pension (Asset) as a Percentage of its Covered Payroll	48.76%	23.56%	-33.24%	-14.30%	-13.37%	-10.45%	-3.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	145.28%	126.64%	137.28%	116.55%	116.90%	114.83%	104.33%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information



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

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.230559%	0.221218%	0.213101%	0.219750%	0.229063%	0.228949%	0.228949%
City's Proportionate Share of the Net Pension Liability	\$ 15,531,690	\$ 18,057,194	\$ 13,078,971	\$ 13,918,703	\$ 14,735,764	\$ 11,860,503	\$ 11,150,525
City's Covered Payroll	\$ 5,326,923	\$ 4,950,200	\$ 4,686,371	\$ 4,587,359	\$ 4,674,379	\$ 4,553,656	\$ 4,458,467
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	291.57%	364.78%	279.09%	303.41%	315.25%	260.46%	250.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.89%	63.07%	70.91%	68.36%	66.77%	71.71%	73.00%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

**City of University Heights, Ohio**  
*Required Supplementary Information*  
**Schedule of the City Pension Contributions**  
*Ohio Public Employee Retirement System*  
**For the Last Eight Years (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Contractually Required Contributions</u>								
Traditional Plan	\$ 350,342	\$ 406,521	\$ 351,204	\$ 323,044	\$ 307,438	\$ 286,331	\$ 277,281	\$ 278,223
Combined Plan	<u>8,214</u>	<u>19,515</u>	<u>8,022</u>	<u>6,522</u>	<u>7,163</u>	<u>5,659</u>	<u>3,741</u>	<u>3,754</u>
Total Required Contributions	\$ 358,556	\$ 426,036	\$ 359,226	\$ 329,566	\$ 314,601	\$ 291,990	\$ 281,022	\$ 281,977
Contributions in Relation to the Contractually Required Contribution	<u>(358,556)</u>	<u>(426,036)</u>	<u>(359,226)</u>	<u>(329,566)</u>	<u>(314,601)</u>	<u>(291,990)</u>	<u>(281,022)</u>	<u>(281,977)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll								
Traditional Plan	\$ 2,502,443	\$ 2,903,721	\$ 2,508,600	\$ 2,484,954	\$ 2,561,983	\$ 2,386,092	\$ 2,310,675	\$ 2,140,177
Combined Plan	\$ 58,671	\$ 139,393	\$ 57,300	\$ 50,169	\$ 59,692	\$ 47,158	\$ 31,175	\$ 28,877
<u>Pension Contributions as a Percentage of Covered Payroll</u>								
Traditional Plan	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
Combined Plan	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

**City of University Heights, Ohio**  
*Required Supplementary Information*  
*Schedule of the City Pension Contributions*  
*Ohio Police and Fire Pension Fund*  
*For the Last Ten Years*

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually Required Contributions	\$ 1,176,912	\$ 1,131,790	\$ 1,047,832	\$ 985,091	\$ 967,799	\$ 986,355	\$ 963,651	\$ 799,905	\$ 689,634	\$ 729,037
Contributions in Relation to the Contractually Required Contribution	<u>(1,176,912)</u>	<u>(1,131,790)</u>	<u>(1,047,832)</u>	<u>(985,091)</u>	<u>(967,799)</u>	<u>(986,355)</u>	<u>(963,651)</u>	<u>(799,905)</u>	<u>(689,634)</u>	<u>(729,037)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 5,522,170	\$ 5,326,923	\$ 4,950,200	\$ 4,686,371	\$ 4,587,359	\$ 4,674,379	\$ 4,553,656	\$ 4,458,467	\$ 4,605,668	\$ 4,871,906
Contributions as a Percentage of Covered-Employee Payroll	21.31%	21.25%	21.17%	21.02%	21.10%	21.10%	21.16%	17.94%	14.97%	14.96%

See accompanying notes to the required supplementary information

**City of University Heights, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the Net OPEB Liability*  
*Ohio Public Employee Retirement System*  
*For the Last Four Years (1)*

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.020368%	0.017876%	0.018160%	0.019115%
City's Proportionate Share of the Net OPEB Liability	\$ 2,813,350	\$ 2,330,608	\$ 1,961,183	\$ 1,930,730
City's Covered Payroll	\$ 3,077,115	\$ 2,592,871	\$ 2,557,871	\$ 2,641,686
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	91.43%	89.89%	76.67%	73.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	54.14%	54.04%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the City's measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information

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

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.2305591%	0.2212175%	0.2131010%	0.2197500%
City's Proportionate Share of the Net OPEB Liability	\$ 2,277,400	\$ 2,014,525	\$ 12,074,005	\$ 10,431,038
City's Covered Payroll	\$ 5,326,923	\$ 4,950,200	\$ 4,686,371	\$ 4,587,359
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	42.75%	40.70%	257.64%	227.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.08%	46.57%	14.13%	15.96%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the City's measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information

**City of University Heights, Ohio**  
*Required Supplementary Information*  
**Schedule of the City OPEB Contributions**  
*Ohio Public Employee Retirement System*  
**For the Last Five Years (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 379	\$ 1,360	\$ 1,077	\$ 26,261	\$ 56,698
Contributions in Relation to the Contractually Required Contribution	<u>(379)</u>	<u>(1,360)</u>	<u>(1,077)</u>	<u>(26,261)</u>	<u>(56,698)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 2,570,579	\$ 3,077,115	\$ 2,592,871	\$ 2,557,871	\$ 2,641,686
Contributions as a Percentage of Covered Payroll	0.01%	0.04%	0.04%	1.03%	2.15%

(1) Information prior to 2016 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

**City of University Heights, Ohio**  
*Required Supplementary Information*  
*Schedule of the City OPEB Contributions*  
*Ohio Police and Fire Pension Fund*  
*For the Last Ten Years*

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 27,611	\$ 26,634	\$ 24,751	\$ 23,432	\$ 22,937	\$ 23,372	\$ 22,768	\$ 161,397	\$ 310,883	\$ 347,281
Contributions in Relation to the Contractually Required Contribution	(27,611)	(26,634)	(24,751)	(23,432)	(22,937)	(23,372)	(22,768)	(161,397)	(310,883)	(347,281)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Covered Payroll	\$ 5,522,170	\$ 5,326,923	\$ 4,950,200	\$ 4,686,371	\$ 4,587,359	\$ 4,674,379	\$ 4,553,656	\$ 4,458,467	\$ 4,605,668	\$ 4,871,906
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	3.62%	6.75%	6.75%

See accompanying notes to the required supplementary information

**City of University Heights, Ohio**  
*Notes to the Required Supplementary Information*

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**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

***Net Pension Liability***

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

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%. For 2020, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 3.00% simple through 2018 to 1.40% simple through 2020, then 2.15% simple.

***Net OPEB Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2018-2020.

*Changes in assumptions:* For 2018, the single discount rate changed from 4.23% to 3.85%. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00% (b) In January 2019, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time (c) the single discount rate changed from 3.85% to 3.96%. For 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.96% to 3.16%.



**City of University Heights, Ohio**  
*Notes to the Required Supplementary Information*

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**OHIO POLICE AND FIRE (OP&F) PENSION FUND**

***Net Pension Liability***

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

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the investment rate of return was reduced from 8.25 percent to 8.00 percent (b) the projected salary increases was reduced from 4.25% to 3.75% (c) the payroll increases was reduced from 3.75% to 3.25% (d) the inflation assumptions was reduced from 3.25% to 2.75% (e) the cost of living adjustments was reduced from 2.60% to 2.20% (f) rates of withdrawal, disability and service retirement were updated to reflect recent experience (g) mortality rates were updated to the RP-2014 Total Employee and Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2016 (h) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2016. For 2019-2020, there have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date.

***Net OPEB Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2018 and 2020. For 2019, see below regarding changes to stipend-based model.

*Changes in assumptions:* For 2018, the single discount rate changed from 3.79 percent to 3.24 percent. For 2019, the changes of assumptions were: (a) beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend-based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years (b) beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5% (c) the single discount rate changed from 3.24 percent to 4.66 percent. For 2020, the single discount rate changed from 4.66 to 3.56.

**CITY OF UNIVERSITY HEIGHTS  
CUYAHOGA COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Number</b>	<b>Total Federal Expenditures</b>
<b><u>U.S. Department of Justice</u></b>			
<i>Direct Program</i>			
Bullet Proof Vest Partnership Program	16.607	N/A	\$ 5,476
<b>Total U.S. Department of Justice</b>			<u>5,476</u>
<b><u>U.S. Department of the Treasury</u></b>			
<i>Passed through Ohio Office of Budget and Management</i>			
Coronavirus Relief Fund	21.019	HB481-CRF-Local	1,160,602
<b>Total U.S. Department of the Treasury</b>			<u>1,160,602</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,166,078</u>

See Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF UNIVERSITY HEIGHTS  
CUYAHOGA COUNTY, OHIO  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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**NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of University Heights, Ohio, under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of University Heights, Ohio, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of University Heights, Ohio.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3: INDIRECT COST RATE**

The City of University Heights, Ohio, has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

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

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Ohio Society of Certified Public Accountants

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

To the Members of City Council  
City of University Heights  
University Heights, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of University Heights, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 7, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City, and the City restated its net position of the governmental activities as of December 31, 2019 to correct nondepreciable capital assets.

***Internal Control Over Financial Reporting***

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

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

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

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

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

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

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

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive, flowing style.

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

June 7, 2021

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

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

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE**

To the Members of City Council  
City of University Heights  
University Heights, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

***Report on Compliance for Each Major Federal Program***

We have audited the City of University Heights, Cuyahoga County, Ohio's (the City) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the City's major federal program for the year ended December 31, 2020. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City of University Heights complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

### ***Report on Internal Control over Compliance***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

June 7, 2021

**CITY OF UNIVERSITY HEIGHTS  
CUYAHOGA COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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**1. SUMMARY OF AUDITOR'S RESULTS**

2020(i)	Type of Financial Statement Opinion	Unmodified
2020(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2020(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2020(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2020(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2020(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2020(v)	Type of Major Programs' Compliance Opinions	Unmodified
2020(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2020(vii)	Major Programs (list):  Coronavirus Relief Fund - CFDA #21.019	
2020(viii)	Dollar Threshold: A/B Program	Type A: \$750,000 Type B: All Others
2020(ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED ]  
ACCORDANCE WITH GAGAS**

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



**CITY OF UNIVERSITY HEIGHTS  
CUYAHOGA COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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The prior issued audit report, as of December 31, 2019, included no findings. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF UNIVERSITY HEIGHTS**

**CUYAHOGA COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 7/8/2021**

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](http://www.ohioauditor.gov)