



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

CITY OF ATHENS, OHIO

ATHENS COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2022

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OHIO AUDITOR OF STATE
KEITH FABER



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City Council
City of Athens
8 East Washington Street
Athens, Ohio 45701

We have reviewed the *Independent Auditors' Report* of the City of Athens, Athens County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2022 through December 31, 2022. 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 Athens is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 18, 2023

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Athens, Ohio:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Athens, Ohio ("the City"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Street Fund and Recreation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Correction of Error

As discussed in Note 3 to the financial statements, beginning fund balance and net position was restated to correct errors associated with income tax receivable, unearned revenue, and intergovernmental receivable in the prior year. Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required pension and OPEB schedules, and schedule for infrastructure assets accounted for using the modified approach as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries,

the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023 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 solely 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 the effectiveness of the City's 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.

Clark, Schaefer, Hackett & Co.

Columbus, Ohio
June 30, 2023

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City of Athens, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
Unaudited

The discussion and analysis of the City of Athens's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2022. The purpose of this discussion and analysis is to look at the City's financial performance and discuss pertinent points to better help the reader understand our performance.

Financial Highlights

1. The City's total net position increased \$9,390,377; net position of the governmental activities increased \$6,305,889; and net position of the business-type activities increased \$3,084,488.
2. The General Fund fund balance of \$6,729,208 increased \$376,813 or 5.93 percent from the previous year's balance of \$6,352,395.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Athens's basic financial statements. The City of Athens's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *Statement of Net Position* presents information on all of the City of Athens's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the recent fiscal year.

Both of the government-wide financial statements distinguish functions of the City of Athens that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, security of persons and property, transportation, community environment, and leisure time activities. The business-type activities include water, sewer, garbage, and parking garage operations.

The government-wide financial statements can be found starting on page 15 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law and by bond covenants. However, the Auditor establishes many other funds to help control and manage money for particular purposes or to show that the City is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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Governmental Funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements use the modified accrual basis of accounting and provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information may be useful in evaluating a government's near term financing requirements. We describe the relationship (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds in a reconciliation which follows the fund financial statements.

The City of Athens maintains 37 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General Fund, Street Fund, Recreation Fund and Safety Services Police & Fire Capital Fund, which are considered to be major funds. Data from the other 33 governmental funds are combined into a single, aggregated presentation.

Proprietary Funds - The City uses proprietary funds to account for its water, sewer, garbage and parking garage operations and internal service operations. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Activities* using the full accrual basis of accounting. The enterprise funds are used to report the same activities presented as business-type activities in the government-wide financial statements.

Fiduciary Funds - The City accounts for custodial funds which are used to report fiduciary activity. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources from those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for the proprietary funds.

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

Government-Wide Financial Analysis

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions.

The *Statement of Net Position* and the *Statement of Activities* include all assets, liabilities, deferred inflows and deferred outflows using the full accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

City of Athens, Ohio
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Table 1 provides a summary of the City's net position for 2022 compared to 2021:

Table 1
Net Position at Year End

	Governmental Activities		Business-Type Activities		Total	
	Restated		Restated		Restated	
	2022	2021	2022	2021	2022	2021
Assets						
Current and Other Assets	\$40,658,350	\$28,475,161	\$13,825,941	\$11,988,788	\$54,484,291	\$40,463,949
Capital Assets, Net	119,866,083	116,371,891	45,168,544	44,980,370	165,034,627	161,352,261
<i>Total Assets</i>	<u>160,524,433</u>	<u>144,847,052</u>	<u>58,994,485</u>	<u>56,969,158</u>	<u>219,518,918</u>	<u>201,816,210</u>
<i>Total Deferred Outflows of Resources</i>	<u>5,569,354</u>	<u>4,039,799</u>	<u>5,619,264</u>	<u>5,676,360</u>	<u>11,188,618</u>	<u>9,716,159</u>
Liabilities:						
Current and Other Liabilities	3,635,295	2,572,768	715,172	1,012,585	4,350,467	3,585,353
<i>Long-Term Liabilities:</i>						
Due Within One Year	1,272,148	1,143,196	1,667,728	1,667,642	2,939,876	2,810,838
<i>Due in More than One Year:</i>						
Net Pension Liability	12,376,012	15,092,404	1,158,069	2,167,106	13,534,081	17,259,510
Net OPEB Liability	1,669,755	1,600,875	0	0	1,669,755	1,600,875
Other Amounts	20,301,411	9,513,413	28,772,175	28,677,195	49,073,586	38,190,608
<i>Total Liabilities</i>	<u>39,254,621</u>	<u>29,922,656</u>	<u>32,313,144</u>	<u>33,524,528</u>	<u>71,567,765</u>	<u>63,447,184</u>
<i>Total Deferred Inflows of Resources</i>	<u>10,795,122</u>	<u>9,226,040</u>	<u>2,117,544</u>	<u>2,022,417</u>	<u>12,912,666</u>	<u>11,248,457</u>
Net Position:						
Net Investment in Capital Assets	108,462,930	108,681,818	22,650,456	22,630,235	131,113,386	131,312,053
Restricted	16,928,804	15,559,144	0	0	16,928,804	15,559,144
Unrestricted	(9,347,690)	(14,502,807)	7,532,605	4,468,338	(1,815,085)	(10,034,469)
<i>Total Net Position</i>	<u>\$116,044,044</u>	<u>\$109,738,155</u>	<u>\$30,183,061</u>	<u>\$27,098,573</u>	<u>\$146,227,105</u>	<u>\$136,836,728</u>

The net pension liability (NPL) and the net other postemployment benefits (OPEB) liability are the largest single liabilities reported by the City at December 31, 2022 and are reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability (asset) and the net OPEB liability (asset) to the reported net position and subtracting the net pension asset and deferred outflows related to pension and OPEB.

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

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

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

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

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

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

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

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Current assets increased due to an increase in the equity in pooled cash and cash equivalents, which is due mainly to increases in the American Rescue Plan Act Fund, Street Rehabilitation Fund, and Safety Services Police & Fire Capital Fund.

Capital assets increased due to mostly increases in the construction in progress and infrastructure.

Current liabilities decreased as a result of a decrease in notes payable.

Long-term liabilities increased as a result of an increase for the issuance of general obligation bonds for the construction of a new fire station.

As noted earlier, the City's net position, when reviewed over time, may serve as a useful indicator of the City's financial position. By far, the largest portion of the City's net position 89.66 percent reflects its investments in capital assets (e.g., land, buildings, machinery and equipment, infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position represents resources that are subject to restrictions on how they can be used. These resources accounted for 11.58 percent of total net position. The remaining deficit balance of \$1,815,085 which is unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position increased from \$136,836,728 in 2021 to \$146,227,105 in 2022, a change of \$9,390,377 or 6.86 percent.

In order to further understand what makes up the changes in net position for the current year, Table 2 gives readers further details regarding the results of activities for 2022 compared to 2021:

Table 2
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	Restated				Restated	
	2022	2021	2022	2021	2022	2021
<u>Revenues:</u>						
<i>Program Revenues:</i>						
Charges for Services	\$3,851,521	\$3,553,241	\$12,255,868	\$14,289,215	\$16,107,389	\$17,842,456
Operating Grants and Contributions	970,439	2,469,080	0	0	970,439	2,469,080
Capital Grants and Contributions	51,100	5,415,702	0	0	51,100	5,415,702
<i>Total Program Revenues</i>	<u>\$4,873,060</u>	<u>\$11,438,023</u>	<u>\$12,255,868</u>	<u>\$14,289,215</u>	<u>\$17,128,928</u>	<u>\$25,727,238</u>
<u>General Revenues:</u>						
Property Taxes	1,055,573	1,424,876	0	0	1,055,573	1,424,876
Municipal Income Taxes	16,777,245	16,761,110	0	0	16,777,245	16,761,110
Lodging Taxes	468,786	403,057	0	0	468,786	403,057
Payment in Lieu of Taxes	725,719	753,995	0	0	725,719	753,995
Grants and Entitlements	1,084,276	1,000,324	0	0	1,084,276	1,000,324
Investment Earnings	91,656	226,698	45,317	91,291	136,973	317,989
Miscellaneous	410,824	500,169	169,517	113,698	580,341	613,867
<i>Total General Revenues</i>	<u>20,614,079</u>	<u>21,070,229</u>	<u>214,834</u>	<u>204,989</u>	<u>20,828,913</u>	<u>21,275,218</u>
<i>Total Revenue</i>	<u>25,487,139</u>	<u>32,508,252</u>	<u>12,470,702</u>	<u>14,494,204</u>	<u>37,957,841</u>	<u>47,002,456</u>

(Continued)

City of Athens, Ohio
Management's Discussion and Analysis
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Table 2
Changes in Net Position (continued)

	Governmental Activities		Business-Type Activities		Total	
	Restated				Restated	
	2022	2021	2022	2021	2022	2021
<u>Expenses:</u>						
General Government	6,297,210	4,405,666	0	0	6,297,210	4,405,666
<i>Security of Persons and Property</i>						
Police	4,111,715	3,027,538	0	0	4,111,715	3,027,538
Fire	3,404,981	4,152,590	0	0	3,404,981	4,152,590
Public Health	0	2,581	0	0	0	2,581
Transportation	1,998,313	1,407,948	0	0	1,998,313	1,407,948
Community and Econ. Dev.	456,045	1,004,864			456,045	1,004,864
Leisure Time Activities	1,902,871	902,290	0	0	1,902,871	902,290
Interest and Fiscal Charges	427,601	203,810	0	0	427,601	203,810
Issuance Costs	172,537	0	0	0	172,537	0
Garbage	0	0	2,039,455	1,857,098	2,039,455	1,857,098
Parking Garage	0	0	246,568	281,841	246,568	281,841
Water	0	0	3,004,826	2,244,042	3,004,826	2,244,042
Sewer	0	0	4,505,342	2,760,237	4,505,342	2,760,237
<i>Total Expenses</i>	<u>18,771,273</u>	<u>15,107,287</u>	<u>9,796,191</u>	<u>7,143,218</u>	<u>28,567,464</u>	<u>22,250,505</u>
<i>Change in Net Position Before Transfers</i>	6,715,866	17,400,965	2,674,511	7,350,986	9,390,377	24,751,951
Transfers	(409,977)	(9,058)	409,977	9,058	0	0
Change in Net Position	6,305,889	17,391,907	3,084,488	7,360,044	9,390,377	24,751,951
Net Position at Beginning of Year, Restated	109,738,155	92,346,248	27,098,573	19,738,529	136,836,728	112,084,777
Net Position at End of Year	<u>\$116,044,044</u>	<u>\$109,738,155</u>	<u>\$30,183,061</u>	<u>\$27,098,573</u>	<u>\$146,227,105</u>	<u>\$136,836,728</u>

Governmental Activities

The most significant program expenses for the City are General Government, Police, Fire, Transportation and Leisure Time Activities. These programs account for 94.37 percent of the total governmental activities expenses. General Government, which accounts for 33.55 percent of the total, represents costs associated with the general administration of city government including the City Council, Mayor, City Auditor, and Municipal Court. Police, which accounts for 21.90 percent of the total, represents costs associated with the operation of the Police Department. Fire, which accounts for 18.14 percent of the total, represents costs associated with the operation of the Fire Department. Transportation, which accounts for 10.65 percent of the total, represents costs associated with maintaining and improving the City's streets and operating the bus transit system. Leisure Time Activities, which accounts for 10.14 percent of the total, represents costs associated with parks, recreations and community center activities.

Funding for the most significant programs indicated above is from income taxes and charges for services. The income tax revenue for 2022 was \$16,777,245. Of the \$25,487,139 in total revenues, income tax accounts for 65.83 percent of that total. Charges for Services of \$3,851,521 accounts for 15.11 percent of total revenues. Capital grants and contributions of \$51,100 accounts for 0.20 percent of total revenues. Operating grants and contributions account for 3.81 percent of the total, and lodging taxes, payments in lieu of taxes, grants and entitlements, property taxes, interest, unrestricted contributions, gain on sale of capital assets, and other revenue make up the remaining 15.05 percent.

The City monitors its sources of revenues very closely for fluctuations.

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Business-Type Activities

The City's business-type activities include the City's water, sewer, garbage, and parking garage operations. Net position increased by \$3,084,488 or 11.38 percent for 2022, which is due to increases in the water and sewer funds of \$1,272,980 and \$1,640,528.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services. The Statement of Activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by income and property tax revenues and unrestricted intergovernmental revenues.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2022	2021	2022	2021 (restated)
General Government	\$6,297,210	\$4,405,666	\$2,933,136	\$1,106,780
<i>Security of Persons and Property:</i>				
Police	4,111,715	3,027,538	4,009,032	2,954,966
Fire	3,404,981	4,152,590	3,353,881	4,102,590
Public Health	0	2,581	0	2,581
Transportation	1,998,313	1,407,948	1,402,427	(5,470,316)
Community and Econ. Development	456,045	1,004,864	393,986	372,014
Leisure Time Activities	1,902,871	902,290	1,205,613	396,839
Interest and Fiscal Charges	427,601	203,810	427,601	203,810
Issuance Costs	172,537	0	172,537	0
Total Expenses	<u>\$18,771,273</u>	<u>\$15,107,287</u>	<u>\$13,898,213</u>	<u>\$3,669,264</u>

It should be noted that 25.96 percent of the costs of services for governmental activities are derived from program revenues including charges for services, operating grants, capital grants, and other contributions.

As shown by the total net costs of \$13,898,213, the remainder of the City's programs are funded by general revenues. A significant portion of the total general revenues consists of income taxes, property taxes, and grants and entitlements.

Financial Analysis of the City's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. These funds are accounted for by using the modified accrual basis of accounting.

City of Athens, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
Unaudited

The General Fund is the chief operating fund of the City. At the end of 2022, the total fund balance for the General Fund was \$6,729,208. During the current year, the fund balance of the City's General Fund increased by \$376,813 or 5.93 percent. The increase in the General Fund balance is due to the fact that revenue increases outpaced expenditure increases by a slight margin.

For the other major funds of the City, the Street fund balance increased \$722,754 or 20.11 percent due to increases in income tax revenue and transfers in during the year. The Recreation fund balance increased \$111,556 or 11.20 percent due to increases in income tax, charges for services revenues, and transfers in. The Safety Services Police & Fire Capital fund balance increased \$8,998,011 due to bonds issued during 2022.

Proprietary Funds

The City's major proprietary funds are the Parking Garage, Water, Sewer and Garbage funds. The City operates a parking garage with monthly and hourly spaces. Net position in the Parking Garage Fund increased \$257,335 or 9.55 percent, which is the result of increases in charges for services revenue during 2022. The City provides water and sewer services to city residents. Net position in the Water Fund increased by \$1,272,980 or 14.08 percent, which is the result of an increase in charges for services and accounts resulting from calculations by retirement systems for pension and OPEB liabilities during 2022. Net position in the Sewer Fund increased by \$1,640,528 or 11.09 percent, which is the result of a decrease in expenses during the year. Net Position in the Garbage Fund decreased by \$86,355 or 15.07 percent, which is the result of an increase in operating expenses during the year.

Major Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a budget basis of cash receipts (revenues), and disbursements and encumbrances (expenditures). The most significant budgeted fund is the General Fund. The City does allow small interdepartmental budget changes that modify line items within departments within the same fund.

For the General Fund, the final budgeted revenues and other financing sources were \$17,681,196 representing a change of \$806,808 or 4.78 percent from the original budgeted estimates.

For the General Fund, the final budget basis expenditures and other financing sources were \$19,395,625 representing a change of \$4,158,397 or 27.29 percent from the original budgeted estimates. There was a 9.80 percent positive variance in actual expenditures as compared to the final budget in the General Fund. This was due to the fact that the various departments kept their spending levels below their appropriations.

For the Street Fund, the final budgeted revenues and other financing sources were \$3,627,500 representing a change of \$399,000 or 12.36 percent from the original budgeted revenues.

For the Street Fund, the final budget basis expenditures were \$3,644,074 representing a change of \$1,726,084 or 89.99 percent from the original budgeted estimates. There was a 2.50 percent positive variance in actual expenditures as compared to the final budget in the Street Fund. This was due to the fact that the street improvement spending was able to stay within its appropriations.

For the Recreation Fund, the final budgeted revenues and other financing sources were \$1,190,735 representing a negative change of \$243,565 or 16.98 percent from the original budgeted estimates.

City of Athens, Ohio
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For the Year Ended December 31, 2022
Unaudited

For the Recreation Fund, the final budget basis expenditures were \$1,480,113 representing a change of \$400,883 or 37.15 percent from the original budgeted estimates. There was a 13.37 percent positive variance in actual expenditures as compared to the final budget in the Recreation Fund. This was due to the fact that spending levels and encumbrances were maintained below their appropriations.

Capital Assets and Debt Administration

The City's investment in capital assets for governmental and business-type activities as of December 31, 2022, amounts to \$131,113,386 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, equipment and infrastructure.

Total capital assets for governmental activities of the City of Athens for the year 2022 were \$119,866,083.

The capital assets for business-type activities were \$45,168,544 as of December 31, 2022.

The City manages its street network using its Pavement Condition Rating Program and accounts for them using the modified approach. The street condition rating is a numerical condition scale ranging from 1.0 (severely deficient) to 10.0 (new). A street is considered "severely deficient" - that is, needs maintenance or preservation - when its condition falls below 2.0. A street is unsafe-substantially deficient - when it falls below condition level 5. It is the City's policy to keep the value of "severely deficient" streets below 5 percent. The most recent condition assessment shows that the condition of the City's streets is in accordance with the City's policy

Additional information concerning the City's capital assets can be found in Note 11 of the Notes to the Basic Financial Statements.

As of December 31, 2022, the City of Athens had \$41,870,252 in long-term bonds and loans outstanding for governmental activities and business-type activities with \$2,000,180 due within one year.

Outstanding general obligation bonds consist of a swimming pool improvement bond issue and a street improvement bond. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged.

Long-term loans and bonds in the Water and Sewer funds are OWDA loans for improvements to water and sewer lines and a parking garage renovation bond issue.

The City of Athens issued new bonds in the amount of \$9,000,000. These were issued for Fire Station Bonds. The City also issued a new OPWC loan and a new SIB loan, in the amounts of \$400,000 and \$1,666,838, respectively. These two debts were issued for the Stimson Avenue project.

In addition to the bonded debt, the City's long-term obligations include compensated absences and net pension liability. Additional information concerning the City's debt can be found in Note 13 of the Notes to the Basic Financial Statements.

Current Known Facts and Conditions

The City of Athens relies mainly on the public sector and commercial employers, rather than industry, for its income tax revenue. The City's largest employer is Ohio University. Other major employers include the State of Ohio, Athens County, Athens City, and the Athens City School District. The largest private employers include the Kroger Co., Quidel, O'Bleness Memorial Hospital, Ohio Health, Holzer Medical Center and Wal-Mart.

City of Athens, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
Unaudited

In 2016, the Ohio University Board of Trustees adopted a six-year capital improvement budget for fiscal years 2017 through 2022. The plan was updated in fiscal year 2018 (July 1, 2017 – June 30, 2018) for fiscal years 2019 through 2024. For FYE 2019 the budget includes planned use of reserves of \$17 million, which will be utilized for capital improvements, funding of strategic priorities and programs, bridging toward reduction strategies and a new Regional Campus strategy. FY19 projects planned from the approved FY19-FY24 CIP include several that were delayed from FY18 with a combined projected budget of \$7.2 million, as well as those originally planned for FY19 with a total estimated budget of \$72.9 million.

Some of the university projects that were approved starting in 2022 were:

- Alden Library, Air Handler Replacement and upgrades, project bid estimates are \$1 million – Still Bidding
- Aquatic Center Roof Replacement 1.3 million (bid estimate)
- Bush Airport Apron Rehab 2 million (bid estimate)
- Clippinger Renovation Phase 2, project bid estimates are \$38.6 million
- Clippinger Renovation Phase III 2021, project bid estimates are \$34.3 million
- Grosvenor Hall Elevator Replacement
- Russ Research Opportunity Center, project bid estimates are \$30.1 million
- Convocation Center Electrical, HVAC and Fire System Improvements 2021
- Gamertsfelder, Bath/HAVAC Upgrades, project bid estimates are \$10.7 million
- OUL, HAVAC and Energy Efficiency Improvements, project bid estimates are \$3.6 million

Local business/infrastructure activity:

- Ohio Intel Project
- 2 medium income housing projects began on the West side of Athens, homes and apartments
- Union Street Rehab
- 682 Housing Project
- City to County Solids Handling
- Marietta Memorial – Columbus Rd.

2020 COVID-19 (work from home) Refund Requests

On March 9, 2020, Governor DeWine signed Executive Order 2020-01D declaring a state of emergency for the State of Ohio in response to the COVID-19 global pandemic. In response, the Ohio Legislature passed, and Governor DeWine signed, House Bill 197 on March 27, 2020. This legislation prohibits an employee from claiming a refund for 2020 based on days not worked at their place of business as a result of COVID-19.

Under Ohio House Bill 197, employers are required to remit local withholding tax to the employee's 'Principal Place of Business' for employees who worked from home because of the COVID-19 emergency, regardless of the location of their home. This would be for the duration of the health emergency, plus 30 days after the state of emergency is rescinded.

A refund of the tax withheld for your pre-COVID-19 work municipality, while you worked from home or another location, for the 2020 tax year will not be available until litigation over this issue is completed. Please see Buckeye Institute, et al., v. Columbus City Auditor, et al, Franklin County Common Pleas Court Case No. 20-CV-004301. Therefore, until this case is ruled on by the Ohio Supreme Court, there is no refund eligibility when filing for an income tax refund for 2020 if you were working at home due COVID-19.

City of Athens, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
Unaudited

Update (December 1, 2021)

On November 30, 2021, the Tenth District Court of Appeals upheld the constitutionality of Sec. 29 of HB 197, the temporary municipal income tax withholding provision was a ruling on the appeal filed by the Buckeye Institute after the Franklin County Court of Common Pleas dismissed the Institute's lawsuit against the City of Columbus challenging the constitutionality of Sec. 29 of HB 197. The Buckeye Institute has indicated that they plan to appeal the Tenth District's decision to the Ohio Supreme Court.

Update (March 29, 2022)

The Ohio Supreme Court has declined the appeal of the Buckeye Institute's lawsuit against City of Columbus, ending the lawsuit in Franklin County and upholding the right of municipalities to collect income tax under Sec. 29 of HB 197, which instructed municipalities to continue withholding municipal income tax at a taxpayer's place of work, even if the taxpayer is currently working from home in a different local jurisdiction due to the COVID-19 pandemic.

By declining to accept jurisdiction of the appeal, the constitutionality of Sec. 29 is upheld in the previous rulings by the Tenth District Court of Appeals and the Franklin County Court of Common Pleas.

There are three more cases pending regarding Sec. 29 of HB 197, one is at the Ohio Supreme Court and has oral arguments scheduled for March 1, 2023, a ruling can take 3-6 months after these arguments have been made. Once the Ohio Supreme Court rules, it is expected the other pending cases will either be accepted or declined.

2021 COVID-19 (work from home) Refund Requests

Per Ohio H.B.110: Beginning January 1, 2021, any non-resident individual working from home or any location other than their Athens City principal place of work may be eligible for a refund of 2021 Athens City tax withheld by their employer; this applies ONLY to tax year 2021. Please note, in accordance with ORC 718.13, any refund issued by the City of Athens will be disclosed to your taxing jurisdiction of residency.

As of January 1, 2022, employers are required to withhold income taxes where an employee performs work. If an employee is 100% remote and works from home, then the employee's residence municipality is where the income tax must be withheld to.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions or need additional financial information, contact the City Auditor's Office, 8 East Washington Street, Athens, Ohio 45701.

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CITY OF ATHENS, OHIO
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash & Cash Equivalents	\$35,069,438	\$11,993,437	\$47,062,875
Cash and Cash Equivalents in Segregated Accounts	48,043	0	48,043
Accounts Receivable	15,401	1,051,845	1,067,246
Internal Balances	100,000	(100,000)	0
Intergovernmental Receivable	1,157,515	0	1,157,515
Income Taxes Receivable	1,661,513	0	1,661,513
Property Taxes Receivable	1,100,726	0	1,100,726
Other Local Taxes Receivable	110,681	0	110,681
Special Assessments Receivable	28,461	0	28,461
Materials and Supplies Inventory	132,155	453,831	585,986
Prepaid Items	230,696	20,234	250,930
Net OPEB Assets	1,003,721	406,594	1,410,315
<i>Restricted Assets:</i>			
Nondepreciable Capital Assets	82,843,856	6,253,369	89,097,225
Depreciable Capital Assets, Net	37,022,227	38,915,175	75,937,402
<i>Total Assets</i>	<u>160,524,433</u>	<u>58,994,485</u>	<u>219,518,918</u>
Deferred Outflows of Resources	<u>5,569,354</u>	<u>5,619,264</u>	<u>11,188,618</u>
Liabilities:			
Accounts Payable	348,006	315,511	663,517
Contracts Payable	256,683	116,504	373,187
Accrued Wages Payable	434,795	114,549	549,344
Intergovernmental Payable	28,349	4,473	32,822
Accrued Interest Payable	196,006	164,135	360,141
Claims Payable	111,023	0	111,023
Unearned Revenue	1,820,433	0	1,820,433
Notes Payable	440,000	0	440,000
<i>Long-Term Liabilities:</i>			
Due within One Year	1,272,148	1,667,728	2,939,876
<i>Due in More Than One Year:</i>			
Net Pension Liability	12,376,012	1,158,069	13,534,081
Net OPEB Liability	1,669,755	0	1,669,755
Other Amounts Due in More Than One Year	20,301,411	28,772,175	49,073,586
<i>Total Liabilities</i>	<u>39,254,621</u>	<u>32,313,144</u>	<u>71,567,765</u>
Deferred Inflows of Resources	<u>10,795,122</u>	<u>2,117,544</u>	<u>12,912,666</u>
Net Position:			
Net Investments in Capital Assets	108,462,930	22,650,456	131,113,386
<i>Restricted for:</i>			
Street Maintenance	4,560,631	0	4,560,631
Debt Service	1,213,142	0	1,213,142
Capital Outlay	6,015,672	0	6,015,672
Other Purposes	5,139,359	0	5,139,359
Unrestricted (Deficit)	<u>(9,347,690)</u>	<u>7,532,605</u>	<u>(1,815,085)</u>
Total Net Position	<u><u>\$116,044,044</u></u>	<u><u>\$30,183,061</u></u>	<u><u>\$146,227,105</u></u>

See accompanying notes to the basic financial statements.

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CITY OF ATHENS, OHIO
Statement of Activities
December 31, 2022

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$6,297,210	\$3,155,789	\$208,285	\$0
<i>Security of Persons and Property:</i>				
Police	4,111,715	9,419	93,264	0
Fire	3,404,981	0	0	51,100
Transportation	1,998,313	17,080	578,806	0
Community and Economic Development	456,045	0	62,059	0
Leisure Time Activities	1,902,871	669,233	28,025	0
Interest and Fiscal Charges	427,601	0	0	0
Issuance Costs	172,537	0	0	0
<i>Total Governmental Activities</i>	<u>18,771,273</u>	<u>3,851,521</u>	<u>970,439</u>	<u>51,100</u>
Business-Type Activities:				
Garbage	2,039,455	1,951,157	0	0
Parking Garage	246,568	448,770	0	0
Water	3,004,826	4,249,189	0	0
Sewer	4,505,342	5,606,752	0	0
<i>Total Business-Type Activities</i>	<u>9,796,191</u>	<u>12,255,868</u>	<u>0</u>	<u>0</u>
<i>Totals</i>	<u>\$28,567,464</u>	<u>\$16,107,389</u>	<u>\$970,439</u>	<u>\$51,100</u>

General Revenues:

Property Taxes
Income Taxes:
 General Purposes
 Debt Service
 Capital Outlay
Lodging Taxes
Payment in Lieu of Taxes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Miscellaneous
Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Year, As Restated (See Note 3)

Net Position at End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$2,933,136)	\$0	(\$2,933,136)
(4,009,032)	0	(4,009,032)
(3,353,881)	0	(3,353,881)
(1,402,427)	0	(1,402,427)
(393,986)	0	(393,986)
(1,205,613)	0	(1,205,613)
(427,601)	0	(427,601)
(172,537)	0	(172,537)
<u>(13,898,213)</u>	<u>0</u>	<u>(13,898,213)</u>
0	(88,298)	(88,298)
0	202,202	202,202
0	1,244,363	1,244,363
<u>0</u>	<u>1,101,410</u>	<u>1,101,410</u>
<u>0</u>	<u>2,459,677</u>	<u>2,459,677</u>
<u>(13,898,213)</u>	<u>2,459,677</u>	<u>(11,438,536)</u>
1,055,573	0	1,055,573
14,888,819	0	14,888,819
545,477	0	545,477
1,342,949	0	1,342,949
468,786	0	468,786
725,719	0	725,719
1,084,276	0	1,084,276
91,656	45,317	136,973
410,824	169,517	580,341
(409,977)	409,977	0
<u>20,204,102</u>	<u>624,811</u>	<u>20,828,913</u>
6,305,889	3,084,488	9,390,377
<u>109,738,155</u>	<u>27,098,573</u>	<u>136,836,728</u>
<u>\$116,044,044</u>	<u>\$30,183,061</u>	<u>\$146,227,105</u>

CITY OF ATHENS, OHIO

Balance Sheet

Governmental Funds

December 31, 2022

	General	Street	Recreation	Safety Services Police & Fire Capital	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$6,280,548	\$3,969,407	\$1,047,841	\$8,998,135	\$12,836,556	\$33,132,487
Cash and Cash Equivalents in Segregated Accounts	37,464	0	0	0	10,579	48,043
Accounts Receivable	14,421	250	630	0	100	15,401
Interfund Receivable	100,000	0	0	0	0	100,000
Intergovernmental Receivable	587,931	442,009	0	0	127,575	1,157,515
Income Taxes Receivable	1,055,541	260,271	117,159	0	228,542	1,661,513
Property Taxes Receivable	1,100,726	0	0	0	0	1,100,726
Other Local Taxes Receivable	52,575	0	0	0	58,106	110,681
Special Assessments Receivable	28,461	0	0	0	0	28,461
Materials and Supplies Inventory	35,524	94,025	610	0	1,996	132,155
Prepaid Items	172,000	3,945	14,770	0	27,019	217,734
<i>Total Assets</i>	<u>\$9,465,191</u>	<u>\$4,769,907</u>	<u>\$1,181,010</u>	<u>\$8,998,135</u>	<u>\$13,290,473</u>	<u>\$37,704,716</u>
Liabilities:						
Accounts Payable	\$128,515	\$38,247	\$17,131	\$124	\$149,599	\$333,616
Contracts Payable	183,409	7,452	27,990	0	37,832	256,683
Accrued Wages Payable	357,142	34,804	27,940	0	6,527	426,413
Matured Compensated Absences	91	5,597	0	0	0	5,688
Accrued Interest Payable	2,635	0	0	0	0	2,635
Unearned Revenue	0	0	0	0	1,820,433	1,820,433
Intergovernmental Payable	24,074	3,750	351	0	57	28,232
Notes Payable	440,000	0	0	0	0	440,000
<i>Total Liabilities</i>	<u>1,135,866</u>	<u>89,850</u>	<u>73,412</u>	<u>124</u>	<u>2,014,448</u>	<u>3,313,700</u>
Deferred Inflows of Resources	<u>1,600,117</u>	<u>362,996</u>	<u>0</u>	<u>0</u>	<u>77,393</u>	<u>2,040,506</u>
Fund Balances:						
Nonspendable	209,332	97,970	14,770	0	29,015	351,087
Restricted	0	4,219,091	1,092,828	8,998,011	11,169,617	25,479,547
Assigned	1,405,399	0	0	0	0	1,405,399
Unassigned	5,114,477	0	0	0	0	5,114,477
<i>Total Fund Balances</i>	<u>6,729,208</u>	<u>4,317,061</u>	<u>1,107,598</u>	<u>8,998,011</u>	<u>11,198,632</u>	<u>32,350,510</u>
<i>Total Liabilities, Deferred Inflows and Fund Balances</i>	<u>\$9,465,191</u>	<u>\$4,769,907</u>	<u>\$1,181,010</u>	<u>\$8,998,135</u>	<u>\$13,290,473</u>	<u>\$37,704,716</u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2022*

Total Governmental Funds Balances \$32,350,510

***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. (less: Internal Service Fund amount) 119,853,843

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

Taxes	15,013
Special Assessments	28,461
Intergovernmental	911,319
	954,793

Total 954,793

In the Statement of Activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is reported when due. (193,371)

Some 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	(14,949,023)
Premium On Bonds	(1,048,900)
OPWC Loans	(390,000)
SIB Loans	(4,013,241)
Compensated Absences Payable (less: Internal Service Fund amount)	(1,159,541)
	(21,560,705)

Total (21,560,705)

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

Deferred Outflows - Pension	4,633,259
Deferred Outflows - OPEB	936,095
Deferred Inflows - Pension	(7,750,308)
Deferred Inflows - OPEB	(1,959,101)
Net OPEB Assets	1,003,721
Net Pension Liability	(12,376,012)
Net OPEB Liability	(1,669,755)
	(17,182,101)

Total (17,182,101)

Internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.

1,821,075

Net Position of Governmental Activities

\$116,044,044

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	General	Street	Recreation	Safety Services Police & Fire Capital	All Other Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$1,053,707	\$0	\$0	\$0	\$0	\$1,053,707
Municipal Income Taxes	10,592,290	2,611,798	1,178,487	0	2,394,670	16,777,245
Other Local Taxes	231,627	0	0	0	237,159	468,786
Payments in Lieu of Taxes	0	0	0	0	725,719	725,719
Charges for Services	1,107,753	0	669,233	0	36,501	1,813,487
Licenses and Permits	827,363	0	0	0	51,510	878,873
Fines and Forfeitures	999,209	0	0	0	139,592	1,138,801
Intergovernmental	849,573	418,585	20,060	0	794,106	2,082,324
Special Assessments	5,006	0	0	0	13,105	18,111
Interest	27,641	14,253	2,134	0	39,122	83,150
Contributions and Donations	51,100	0	7,965	0	0	59,065
Other	242,971	132,139	17,019	0	18,665	410,794
<i>Total Revenues</i>	<u>15,988,240</u>	<u>3,176,775</u>	<u>1,894,898</u>	<u>0</u>	<u>4,450,149</u>	<u>25,510,062</u>
Expenditures:						
<i>Current:</i>						
General Government	6,227,202	0	0	0	952,500	7,179,702
Security of Persons and Property:						
Police	4,405,053	0	0	0	0	4,405,053
Fire	3,652,206	0	0	0	0	3,652,206
Transportation	733,657	2,739,947	0	0	223,803	3,697,407
Community and Economic Development	549,638	0	0	0	57,221	606,859
Leisure Time Services	0	0	2,163,342	0	0	2,163,342
Capital Outlay	0	0	0	1,989	3,219,761	3,221,750
<i>Debt Service:</i>						
Principal Retirement	0	45,432	0	0	374,163	419,595
Interest and Fiscal Charges	5,413	3,207	0	0	299,370	307,990
Issuance Cost	0	0	0	0	172,537	172,537
<i>Total Expenditures</i>	<u>15,573,169</u>	<u>2,788,586</u>	<u>2,163,342</u>	<u>1,989</u>	<u>5,299,355</u>	<u>25,826,441</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>415,071</u>	<u>388,189</u>	<u>(268,444)</u>	<u>(1,989)</u>	<u>(849,206)</u>	<u>(316,379)</u>
Other Financing Sources (Uses):						
General Obligation Bonds Issued	0	0	0	9,000,000	0	9,000,000
Loans Issued	0	0	0	0	1,666,838	1,666,838
OWPC Loans Issued	0	0	0	0	400,000	400,000
Premium on Debt Issued	0	0	0	0	375,112	375,112
Transfers In	14,242	334,565	380,000	0	52,500	781,307
Transfers Out	(52,500)	0	0	0	(1,138,784)	(1,191,284)
<i>Total Other Financing Sources (Uses)</i>	<u>(38,258)</u>	<u>334,565</u>	<u>380,000</u>	<u>9,000,000</u>	<u>1,355,666</u>	<u>11,031,973</u>
<i>Net Change in Fund Balances</i>	<u>376,813</u>	<u>722,754</u>	<u>111,556</u>	<u>8,998,011</u>	<u>506,460</u>	<u>10,715,594</u>
<i>Fund Balances at Beginning of Year, As Restated</i>	<u>6,352,395</u>	<u>3,594,307</u>	<u>996,042</u>	<u>0</u>	<u>10,692,172</u>	<u>21,634,916</u>
<i>Fund Balances at End of Year</i>	<u>\$6,729,208</u>	<u>\$4,317,061</u>	<u>\$1,107,598</u>	<u>\$8,998,011</u>	<u>\$11,198,632</u>	<u>\$32,350,510</u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, 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, 2022*

Net Change in Fund Balances - Total Governmental Funds \$10,715,594

*Amounts reported for governmental activities in the Statement of
Activities are different because:*

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

Capital Asset Additions	5,174,728	
Current Year Depreciation (less: Internal Service Fund amount)	(1,563,945)	
Total		3,610,783

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. (120,029)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Property Taxes	1,866	
Special Assessments	2,249	
Intergovernmental	(35,544)	
Total		(31,429)

Repayment of principal (e.g. bonds, notes, leases) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 419,595

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (171,441)

Some expenses reported in the Statement of Activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as an expenditure in the governmental funds.

Compensated Absences Payable	61,712	
Premium on Bonds	51,830	
Total		113,542

Other financing sources in the governmental funds that increase long-term liabilities in the Statement of Net Position are not reported as revenues in the Statement of Activities:

Bonds Issued	(9,000,000)	
Loans Issued	(2,066,838)	
Premium on Bonds Issued	(375,112)	
Total		(11,441,950)

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Activities reports these amounts as deferred revenues. 1,608,548

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability/asset are reported as pension expense in the Statement of Activities. 1,442,748

Internal service funds used by management to charges cost of services to individual funds are not reported in the government-wide statement of activities. Governmental expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of internal service funds are allocated among the activities.

159,928

Change in Net Position of Governmental Activities \$6,305,889

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$1,058,100	\$1,058,100	\$1,053,707	(\$4,393)
Income Taxes	11,000,000	11,000,000	10,472,722	(527,278)
Other Local Taxes	220,000	230,000	229,965	(35)
Charges for Services	969,175	1,090,100	1,098,862	8,762
Licenses and Permits	942,500	960,600	840,382	(120,218)
Fines and Forfeitures	953,000	1,084,075	1,010,639	(73,436)
Intergovernmental	802,000	872,500	851,014	(21,486)
Special Assessments	800	6,000	5,006	(994)
Interest	13	22,500	27,641	5,141
Contributions and Donations	6,100	51,100	51,100	0
Other	922,000	264,221	233,699	(30,522)
<i>Total Revenues</i>	16,873,688	16,639,196	15,874,737	(764,459)
Expenditures:				
<i>Current:</i>				
General Government	5,886,056	7,696,520	6,838,281	858,239
<i>Security of Persons and Property:</i>				
Police	4,289,327	4,536,626	4,469,912	66,714
Fire	3,166,022	4,407,551	4,100,914	306,637
Transportation	775,570	862,558	778,500	84,058
Community and Economic Development	710,253	726,870	560,431	166,439
<i>Debt Service:</i>				
Principal Retirements	400,000	1,100,000	690,000	410,000
Interest and Fiscal Charges	10,000	13,000	3,426	9,574
<i>Total Expenditures</i>	15,237,228	19,343,125	17,441,464	1,901,661
<i>Excess of Revenues Over (Under) Expenditures</i>	1,636,460	(2,703,929)	(1,566,727)	1,137,202
Other Financing Sources:				
OPWC Loan Issued	0	994,000	440,000	(554,000)
Transfers - In	700	48,000	12,767	(35,233)
Transfers - Out	0	(52,500)	(52,500)	0
<i>Total Other Financing Sources</i>	700	989,500	400,267	(589,233)
<i>Net Change in Fund Balance</i>	1,637,160	(1,714,429)	(1,166,460)	547,969
Fund Balances at Beginning of Year	4,820,241	4,820,241	4,820,241	0
Prior Year Encumbrances Appropriated	1,219,560	1,219,560	1,219,560	0
Fund Balances at End of Year	\$7,676,961	\$4,325,372	\$4,873,341	\$547,969

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Budget Basis)
Street Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income Taxes	\$2,603,000	\$2,603,000	\$2,582,315	(\$20,685)
Intergovernmental	458,000	458,000	443,959	(14,041)
Interest	31,000	31,000	14,253	(16,747)
Other	126,500	181,500	134,526	(46,974)
<i>Total Revenues</i>	<u>3,218,500</u>	<u>3,273,500</u>	<u>3,175,053</u>	<u>(98,447)</u>
Expenditures:				
<i>Current:</i>				
Transportation	1,917,990	3,593,774	3,504,330	89,444
<i>Debt Service:</i>				
Principal Retirements	0	45,500	45,432	68
Interest and Fiscal Charges	0	4,800	3,207	1,593
<i>Total Expenditures</i>	<u>1,917,990</u>	<u>3,644,074</u>	<u>3,552,969</u>	<u>91,105</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	1,300,510	(370,574)	(377,916)	(7,342)
Other Financing Sources:				
Transfers - In	10,000	354,000	332,217	(21,783)
<i>Total Other Financing Sources</i>	<u>10,000</u>	<u>354,000</u>	<u>332,217</u>	<u>(21,783)</u>
<i>Net Change in Fund Balance</i>	1,310,510	(16,574)	(45,699)	(29,125)
Fund Balances at Beginning of Year	2,567,444	2,567,444	2,567,444	0
Prior Year Encumbrances Appropriated	736,784	736,784	736,784	0
Fund Balances at End of Year	<u>\$4,614,738</u>	<u>\$3,287,654</u>	<u>\$3,258,529</u>	<u>(\$29,125)</u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
*Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Budget Basis)*
Recreation Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income Taxes	\$725,000	\$725,000	\$717,310	(\$7,690)
Charges for Services	200,700	306,035	283,341	(22,694)
Intergovernmental	5,000	20,500	20,060	(440)
Contributions and Donations	3,600	9,100	7,840	(1,260)
Other	30,000	100	90	(10)
<i>Total Revenues</i>	964,300	1,060,735	1,028,641	(32,094)
Expenditures:				
<i>Current:</i>				
Leisure Time Services	1,079,230	1,480,113	1,282,222	197,891
<i>Total Expenditures</i>	1,079,230	1,480,113	1,282,222	197,891
<i>Excess of Revenues Over (Under) Expenditures</i>	(114,930)	(419,378)	(253,581)	165,797
Other Financing Sources:				
Transfers In	17,000	130,000	130,000	0
Notes Issued	453,000	0	0	0
<i>Total Other Financing Sources</i>	470,000	130,000	130,000	0
<i>Net Change in Fund Balance</i>	355,070	(289,378)	(123,581)	165,797
Fund Balances at Beginning of Year	766,732	766,732	766,732	0
Prior Year Encumbrances Appropriated	140,183	140,183	140,183	0
Fund Balances at End of Year	\$1,261,985	\$617,537	\$783,334	\$165,797

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Fund Net Position
Proprietary Funds
December 31, 2022

	Business-Type Activities					Governmental Activities
	Parking Garage	Water	Sewer	Garbage	Totals	Internal Service Funds
Assets:						
<i>Current:</i>						
Equity in Pooled Cash & Cash Equivalents	\$493,900	\$4,475,259	\$6,548,492	\$475,786	\$11,993,437	\$1,936,951
Accounts Receivable	17,099	281,302	560,977	192,467	1,051,845	0
Materials and Supplies Inventory	0	392,603	61,228	0	453,831	0
Prepaid Items	2,292	2,831	10,347	4,764	20,234	12,962
<i>Noncurrent:</i>						
Net OPEB Asset	0	199,842	206,752	0	406,594	0
Nondepreciable Capital Assets	319,554	1,304,468	4,614,672	14,675	6,253,369	0
Depreciable Capital Assets, Net	3,253,565	10,878,382	24,783,228	0	38,915,175	12,240
Total Assets	4,086,410	17,534,687	36,785,696	687,692	59,094,485	1,962,153
Deferred Outflows of Resources	0	239,763	5,379,501	0	5,619,264	0
Liabilities:						
<i>Current:</i>						
Accounts Payable	1,442	60,996	66,267	186,806	315,511	14,390
Contracts Payable	0	3,563	112,941	0	116,504	0
Accrued Wages Payable	0	53,590	56,438	4,521	114,549	8,382
Compensated Absences Payable	0	109,822	111,125	4,204	225,151	5,555
Intergovernmental Payable	0	2,298	2,057	118	4,473	117
Accrued Interest Payable	1,964	49,693	112,478	0	164,135	0
Interfund Payable	100,000	0	0	0	100,000	0
Claims Payable	0	0	0	0	0	111,023
General Obligation Bonds Payable	135,000	0	0	0	135,000	0
OWDA Loans Payable	0	297,241	1,010,336	0	1,307,577	0
<i>Noncurrent Liabilities:</i>						
Compensated Absences Payable	0	75,618	75,720	5,326	156,664	1,611
General Obligation Bonds Payable	895,000	0	0	0	895,000	0
OWDA Loans Payable	0	5,169,551	15,010,960	0	20,180,511	0
Asset Retirement Obligation	0	0	7,540,000	0	7,540,000	0
Net Pension Liability	0	569,193	588,876	0	1,158,069	0
Total Liabilities	1,133,406	6,391,565	24,687,198	200,975	32,413,144	141,078
Deferred Inflows of Resources	0	1,068,155	1,049,389	0	2,117,544	0
Net Position:						
Net Investments in Capital Assets	2,543,119	6,716,058	13,376,604	14,675	22,650,456	12,240
Unrestricted	409,885	3,598,672	3,052,006	472,042	7,532,605	1,808,835
Total Net Position	\$2,953,004	\$10,314,730	\$16,428,610	\$486,717	\$30,183,061	\$1,821,075

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
*Statement of Revenues, Expenses and
Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2022*

	Business-Type Activities				Governmental Activities	
	Parking Garage	Water	Sewer	Garbage	Totals	Internal Service Funds
Operating Revenues:						
Charges for Services	\$448,770	\$4,249,189	\$5,606,752	\$1,951,157	\$12,255,868	\$4,183,404
Other	0	2,256	101,790	0	104,046	10
<i>Total Operating Revenues</i>	<u>448,770</u>	<u>4,251,445</u>	<u>5,708,542</u>	<u>1,951,157</u>	<u>12,359,914</u>	<u>4,183,414</u>
Operating Expenses:						
Personal Services	0	1,116,430	1,166,832	116,668	2,399,930	160,559
Fringe Benefits	0	7,759	30,055	49,621	87,435	107,425
Contractual Services	102,578	774,459	1,511,123	1,820,280	4,208,440	823,204
Materials and Supplies	3,839	424,878	180,118	52,886	661,721	43,137
Utilities	14,089	151,943	387,404	0	553,436	5,844
Claims	0	0	0	0	0	3,169,730
Depreciation	99,291	428,487	999,813	0	1,527,591	5,562
<i>Total Operating Expenses</i>	<u>219,797</u>	<u>2,903,956</u>	<u>4,275,345</u>	<u>2,039,455</u>	<u>9,438,553</u>	<u>4,315,461</u>
<i>Operating Income (Loss)</i>	<u>228,973</u>	<u>1,347,489</u>	<u>1,433,197</u>	<u>(88,298)</u>	<u>2,921,361</u>	<u>(132,047)</u>
Non-Operating Revenues (Expenses):						
Interest Income	2,080	15,878	25,710	1,649	45,317	8,506
Other Non-Operating Revenues	58,053	6,468	656	294	65,471	283,469
Interest and Fiscal Charges	(26,771)	(100,681)	(229,997)	0	(357,449)	0
Other Non-Operating Expenses	0	(189)	0	0	(189)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>33,362</u>	<u>(78,524)</u>	<u>(203,631)</u>	<u>1,943</u>	<u>(246,850)</u>	<u>291,975</u>
<i>Income/(Loss) Before Transfers</i>	<u>262,335</u>	<u>1,268,965</u>	<u>1,229,566</u>	<u>(86,355)</u>	<u>2,674,511</u>	<u>159,928</u>
Transfers - In	0	4,015	410,962	0	414,977	0
Transfers - Out	(5,000)	0	0	0	(5,000)	0
<i>Change in Net Position</i>	<u>257,335</u>	<u>1,272,980</u>	<u>1,640,528</u>	<u>(86,355)</u>	<u>3,084,488</u>	<u>159,928</u>
Net Position at Beginning of Year, As Restated (See Note 3)	<u>2,695,669</u>	<u>9,041,750</u>	<u>14,788,082</u>	<u>573,072</u>	<u>27,098,573</u>	<u>1,661,147</u>
Net Position at End of Year	<u>\$2,953,004</u>	<u>\$10,314,730</u>	<u>\$16,428,610</u>	<u>\$486,717</u>	<u>\$30,183,061</u>	<u>\$1,821,075</u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Business-Type Activities					Governmental Activities
	Parking Garage	Water	Sewer	Garbage	Totals	Internal Service Funds
Cash Flows from Operating Activities:						
Cash Received from Customers	\$447,368	\$4,278,239	\$5,517,010	\$1,994,245	\$12,236,862	\$4,183,404
Cash from Other Receipts	0	0	93,091	0	93,091	10
Cash Payments to Employees	0	(1,676,628)	(1,747,360)	(192,682)	(3,616,670)	(259,715)
Cash Payments for Contractual Services	(97,358)	(524,107)	(1,346,297)	(1,815,740)	(3,783,502)	(820,758)
Cash Payments for Insurance Claims	0	0	0	0	0	(3,255,825)
Cash Payments for Supplies and Materials	(18,187)	(1,068,046)	(652,837)	(92,938)	(1,832,008)	(25,715)
<i>Net Cash from Operating Activities</i>	<u>331,823</u>	<u>1,009,458</u>	<u>1,863,607</u>	<u>(107,115)</u>	<u>3,097,773</u>	<u>(178,599)</u>
Cash Flows from Noncapital Financing Activities:						
Other Nonoperating Receipts	58,053	6,468	656	294	65,471	283,469
Other Nonoperating Payments	0	(189)	0	0	(189)	0
Transfers - In from Other Funds	0	4,015	410,962	0	414,977	0
Transfers - Out to Other Funds	(5,000)	0	0	0	(5,000)	0
<i>Net Cash from Noncapital Financing Activities</i>	<u>53,053</u>	<u>10,294</u>	<u>411,618</u>	<u>294</u>	<u>475,259</u>	<u>283,469</u>
Cash Flows from Capital and Related Financing Activities:						
Proceeds Received from Notes and Loans	0	0	1,700,016	0	1,700,016	0
Interest Paid on Notes and Loans	(27,028)	(103,258)	(240,034)	0	(370,320)	0
Principal Paid on Notes and Loans	(135,000)	(292,061)	(1,104,902)	0	(1,531,963)	0
Cash Paid to Acquire/Construct Capital Assets	(38,864)	(170,718)	(1,506,183)	0	(1,715,765)	(9,000)
<i>Net Cash from Capital and Related Financing Activities</i>	<u>(200,892)</u>	<u>(566,037)</u>	<u>(1,151,103)</u>	<u>0</u>	<u>(1,918,032)</u>	<u>(9,000)</u>
Cash Flows from Investing Activities:						
Interest Received on Investments	2,080	15,878	25,710	1,649	45,317	8,506
<i>Net Cash from Investing Activities</i>	<u>2,080</u>	<u>15,878</u>	<u>25,710</u>	<u>1,649</u>	<u>45,317</u>	<u>8,506</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	186,064	469,593	1,149,832	(105,172)	1,700,317	104,376
Cash and Cash Equivalents at Beginning of Year	307,836	4,005,666	5,398,650	580,958	10,293,110	1,832,575
Cash and Cash Equivalents at End of Year	<u>\$493,900</u>	<u>\$4,475,259</u>	<u>\$6,548,482</u>	<u>\$475,786</u>	<u>\$11,993,427</u>	<u>\$1,936,951</u>

See accompanying notes to the basic financial statements.

(Continued)

CITY OF ATHENS, OHIO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Business-Type Activities					Governmental Activities
	Parking Garage	Water	Sewer	Garbage	Totals	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:						
Operating Income (Loss)	\$228,973	\$1,347,489	\$1,433,197	(\$88,298)	\$2,921,361	(\$132,047)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:						
Depreciation Expense	99,291	428,487	999,813	0	1,527,591	5,562
Changes in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	(1,402)	26,794	(98,441)	43,088	(29,961)	0
(Increase) Decrease in Material and Supply Inventory	0	15,526	(28,075)	0	(12,549)	0
(Increase) Decrease in Prepaid Items	5,220	26,659	17,877	5,418	55,174	15,006
(Increase) Decrease in Net OPEB Asset	0	(71,290)	(78,200)	0	(149,490)	0
(Increase) Decrease in Deferred Outflows of Resources	0	8,211	48,885	0	57,096	0
Increase (Decrease) in Accounts Payable	(259)	(40,954)	(56,939)	(40,075)	(138,227)	12,712
Increase (Decrease) in Contracts Payable	0	(232,477)	82,861	0	(149,616)	0
Increase (Decrease) in Accrued Wages Payable	0	3,423	930	949	5,302	4,044
Increase (Decrease) in Compensated Absences	0	(14,598)	(30,238)	(28,151)	(72,987)	2,449
Increase (Decrease) in Due to Other Funds	0	(872)	(1,093)	(46)	(2,011)	0
Increase (Decrease) in Intergovernmental Payable	0	0	0	0	0	(230)
Increase (Decrease) in Claims Payable	0	0	0	0	0	(86,095)
Increase (Decrease) in Net Pension Liability	0	(514,360)	(494,677)	0	(1,009,037)	0
Increase (Decrease) in Deferred Inflows of Resources	0	27,420	67,707	0	95,127	0
<i>Net Cash from Operating Activities</i>	<u>\$331,823</u>	<u>\$1,009,458</u>	<u>\$1,863,607</u>	<u>(\$107,115)</u>	<u>\$3,097,773</u>	<u>(\$178,599)</u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2022

	<u>Custodial</u>
Assets:	
Equity in Pooled Cash & Cash Equivalents	\$6,100
Cash and Cash Equivalents in Segregated Accounts	<u>237,352</u>
<i>Total Assets</i>	<u>243,452</u>
Net Position:	
Restricted for Individuals, Organizations and Other Governments	<u>243,452</u>
<i>Total Net Position</i>	<u><u>\$243,452</u></u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended December 31, 2022

	<u>Custodial</u>
Additions	
Custodial Fund Receipts	<u>\$1,605,229</u>
<i>Total Additions</i>	<u>1,605,229</u>
Deductions	
Custodial Fund Disbursements	<u>1,666,161</u>
<i>Total Deductions</i>	<u>1,666,161</u>
<i>Change in Net Position</i>	(60,932)
<i>Net Position at Beginning of Year</i>	<u>304,384</u>
<i>Net Position at End of Year</i>	<u><u>\$243,452</u></u>

See accompanying notes to the basic financial statements.

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CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 1 - DESCRIPTION OF THE ENTITY

The City of Athens, Ohio (the City) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The City was incorporated in 1811 and is a statutory municipal corporation under the laws of the State of Ohio. The City operates under a Council-Mayor form of government and provides various services including police and fire protection, parks and recreation, planning, zoning, street maintenance, and other governmental services. In addition, the City owns and operates a water treatment and distribution system, a wastewater treatment and collection system, and a public parking garage, which are reported as enterprise funds. Refuse collection services are also accounted for as an enterprise operation.

As required by generally accepted accounting principles, the financial statements present the City of Athens (the primary government) and any component units. In determining whether to include a governmental department, agency, commission or organization as a component unit, the City must evaluate each entity as to whether they are legally separate and financially accountable based on criteria set forth by the Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue or be sued and (3) the right to buy, sell, lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of a specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the City.

Based on the foregoing criteria, the following governmental entity is not considered legally separate and is financially accountable to the City. Therefore, it is included as part of the reporting entity of the City.

Athens Municipal Court - The City budgets and appropriates for the operation of the Court, establishes the compensation for certain Court employees and is ultimately responsible for any operating deficits sustained by the Court. The operations of the Court are presented as a separate Custodial Fund in the City's financial statements.

However, the following organizations are not part of the City of Athens reporting entity and are excluded from the City's combined financial statements.

Athens City School District - The Athens City School District encompasses the City of Athens. The members of the Board of Education of the District are elected by the voters within the District. The Board is a legally separate body politic and corporate, capable of suing, contracting, possessing, acquiring, and disposing of real property. The Board controls its own operations and budget and has no financial accountability to the City.

Athens Public Library - The Library provides library services for the citizens of Athens County. The Library is a legally separate entity with no financial accountability to the City. It has a separately selected governing authority and a separate designation of management. The City has no ability to impose its will upon the Library. Additionally, the Library provides no financial benefit to nor does it impose any financial burden upon the City.

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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. The most significant of the City's accounting policies are described below.

Basis of Presentation

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

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service funds is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

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.

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 liabilities is reported as fund balance. The following are the City's major governmental funds:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund: This 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 general laws of Ohio.

Street Fund: This fund accounts for that portion of the state gasoline and motor vehicle registration fees as well as income tax revenue designated by voters for maintenance and repair of streets within the City.

Recreation Fund: This fund accounts for an income tax levy and charges for services to be used for park, recreation and community center purposes.

Safety Services Police & Fire Capital: This fund accounts for the process of building a new fire station. The funds were used to purchase the land and start the building process.

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

Proprietary Funds: Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The City's proprietary funds are classified as either enterprise or internal service. The following are the City's major enterprise funds:

Parking Garage Fund: This fund accounts for the operation of a public parking garage within the City.

Water Fund: This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

Sewer Fund: This fund accounts for the provision of sanitary sewer treatment to residential and commercial users located within the City.

Garbage Fund: This fund accounts for charges for services for the collection of refuse within the city.

The other enterprise funds of the City account for activities for which a fee is charged to external users for goods or services. The internal service funds of the City account for the financing of services provided by one department or agency of the City to other departments or agencies of the City on a cost reimbursement basis.

Fiduciary Funds: Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's fiduciary funds are custodial funds - Mansfield House Maintenance which receives donations to handle repairs to the Mansfield House and the Municipal Court which accounts for the activities of the Athens Municipal Court.

Measurement Focus

Government-Wide Financial Statements: The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, deferred inflows, and current liabilities, deferred outflows generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus. For proprietary funds, 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. Proprietary funds also present a statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities. Fiduciary funds present a Statement of Changes in Fiduciary Net Position which reports additions to and deductions from investment trust, private purpose trust funds, and custodial funds.

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include municipal income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from municipal income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fiscal year-end: municipal income taxes, grants, state-levied shared taxes (including gasoline tax), fines and forfeitures, and investment earnings.

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.

Budgetary Accounting and Control:

Under Ohio law, City Council must adopt an appropriations budget by January 1st of a given year, or adopt a temporary appropriation measure with final passage of a permanent budget by April 1st, for all funds except Custodial Funds. Budgets are adopted for each organizational unit by fund.

Each City department prepares a budget which is approved by City Council. All modifications made throughout the year to the original department budgets must be requested by the departmental management and approved through legal resolution by City Council, except in the travel transportation, materials and supplies, and contractual services and miscellaneous or other expenditure categories of each department.

Several budget modifications and supplemental appropriations were made during the year and each revised budget amount reported in the budget to actual comparisons includes all modifications and supplemental appropriations that were necessary.

The City maintains budgetary control by Fund and within each fund by Office, Department and Division. Each Office, Department and Division is further divided by transaction class, representing Personal Services, Supplies & Services and Capital Expenditures. Council ordinance does not permit co-mingling or movement of monies among transaction classes without ordinance; and, does not permit expenditures and encumbrances to exceed appropriations for each transaction class. Unencumbered and unexpended appropriations lapse at year-end in all budgeted funds. Prior year encumbrances and corresponding prior year appropriations are carried forward as part of the budgetary authority for next year and are included in the original and revised budget amounts shown in the budget-to-actual comparisons.

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as final budget amounts on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2022.

The City's budgetary process accounts for certain transactions on a budgetary basis instead of a GAAP basis. The major differences between the budget basis and the GAAP basis are that revenues are recorded when actually received (budget basis) as opposed to when susceptible to accrual (GAAP basis), and expenditures are recorded when paid (budget basis) as opposed to when incurred (GAAP basis). Additionally, the City reflects outstanding encumbrances at year-end as expenditures on the budgetary basis.

Cash and Investments

Cash and investments of the City's funds, except those held in restricted asset accounts, are pooled and invested in short-term investments in order to provide improved cash management. During 2022, the City's funds were invested in interest bearing demand accounts and certificates of deposit with commercial banks. For purposes of the Statement of Cash Flows, the enterprise funds' portion of cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from the enterprise funds without prior notice or penalty.

For purposes of the Statement of Cash Flows and for the presentation on the Statement of Net Position/Balance Sheet, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

Following the local ordinance of the City as well as State statutes, the City has specified the funds to receive an allocation of interest earnings. During 2022 the General Fund earned interest revenue of \$27,641, of which \$6,792 was assigned from other funds.

Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2022 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it is consumed.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets donated works of art or similar items, and capital assets received in a service concession arrangement are reported at acquisition value. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of streets, traffic signals, bridges, drainage systems, water and sewer lines, and valves and meters.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized. All reported capital assets are depreciated except for land, streets, 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:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	40-60 years	40-60 years
Machinery and Equipment	50-20 years	5-20 years
Vehicles	2-20 years	3-12 years
Infrastructure	20-60 years	20-50 years

The City has chosen to use the modified approach allowed by GASB Statement No. 34, to report their streets. Therefore, depreciation is not calculated for the streets, but they are evaluated each year to determine their values.

Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences".

The City records a liability for sick leave, vacation, and compensatory time when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined.

Employees earn vacation time at varying rates depending on the duration of their employment. Employees with a minimum of one (1) year of service become vested in accumulated unpaid vacation time. Vacation leave is to be taken by the employee in the year accrued unless administrative approval has been obtained to carry-over the accumulated time to the following year. Ohio law requires that vacation time not be accumulated for more than three (3) years. Unused vacation time is payable upon termination of employment. It is deemed that each employee will remain with the City for at least one year, therefore, the City accrues a liability for each employee based on their unused vacation time.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unused sick leave may be accumulated until retirement. Employees with a minimum of ten (10) years of service under Public Employee Retirement System (PERS) and fifteen (15) years under Ohio Police and Fire Pension Fund (OP&F) are entitled to payment for accumulated sick leave credit upon retirement. Payment may be made at twenty-five (25) percent, up to a maximum of thirty (30) days, of accrued sick leave credit. The City uses a termination method to accrue a liability based on average sick leave rates paid to retirees and years worked by current employees.

Employees are awarded compensatory time off in lieu of overtime pay when overtime hours are worked, except in certain departments where employees have the option of being compensated for overtime hours worked. Compensatory time off must be used within a specified period of time. Upon termination of employment or retirement, employees may be entitled to payment for unused compensatory time in those departments which provide for payment of overtime hours. The City accrues a liability for each employee with unused compensatory time.

The entire compensated absence liability is reported on the government-wide financial statements. In governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignation or retirement. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported on the fund financial statements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability on the fund financial statements.

Pensions/Other Postemployment Benefits (OPEB)

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

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions 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.

Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified as follows:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonspendable – amounts that cannot be spent because they are either not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because either (a) constraints imposed by law through constitutional provisions, charter requirements or enabling legislation; or (b) constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolutions of the City Council – the City’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action as when imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Council, City Officials have the authority to assign amount to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned – this is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Restricted for Other Purposes includes funds which are restricted by grant agreements.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are parking garage fees and charges for services for water, sanitary sewer, and garbage collection services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

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

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

Estimates

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR BALANCES

For fiscal year ended June 30, 2022, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, certain provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84*, and a supersession of GASB Statement No. 32, and certain provisions in GASB Statement No. 99, *Omnibus 2022*.

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The implementation of GASB Statement No. 87 did not have an effect on the financial statements of the City.

GASB Statement No. 97 requirements that are related to a) the accounting and financial reporting for Section 457 plans and b) determining whether a primary government is financially accountable for a potential component unit were implemented for fiscal year 2022. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the City.

GASB Statement No. 99 enhances comparability in the application of accounting and financial reporting requirements and will improve consistency of authoritative literature. The implementation of certain provisions of GASB Statement No. 99 did not have an effect on the financial statements of the City.

During 2022, the City recognized that a State Infrastructure Bank loan was not properly recorded, which led to the City making a prior period adjustment that affected net position.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR BALANCES
(Continued)

During 2022, it was found that there were improper accruals as of December 31, 2021. Therefore, adjustments were made to unearned revenue for ARPA funding, additional income tax receivables, and additional intergovernmental receivables accruals. These adjustments led to prior period adjustments that affected net position/fund balances.

For 2022, the City properly calculated the Asset Retirement Obligations. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The accrual of the Asset Retirement Obligation had the following affect on net position as of December 31, 2021:

	Governmental Activities	Business-Type Activities	Sewer
Net Position at December 31, 2021	\$110,919,614	\$29,436,804	\$17,126,313
<i>Adjustments:</i>			
State Infrastructure Bank Loan	(2,430,566)	0	0
Asset Retirement Obligation-Liability	0	(7,540,000)	(7,540,000)
Additional Accruals	1,249,107	0	0
Deferred Outflow-Asset Retirement Obligation	0	5,201,769	5,201,769
Adjusted Net Position at December 31, 2021	\$109,738,155	\$27,098,573	\$14,788,082

	General	Street	Recreation	Other Governmental Funds
Fund Balance at December 31, 2021	\$5,547,273	\$3,395,784	\$906,679	\$11,482,936
Additional Accruals	805,122	198,523	89,363	(790,764)
Adjusted Fund Balance at December 31, 2021	\$6,352,395	\$3,594,307	\$996,042	\$10,692,172

NOTE 4 - RECONCILIATION OF BUDGET BASIS TO GAAP BASIS

While the City is 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 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) is presented for the General Fund and the major special revenue funds on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the modified accrual GAAP basis are that:

- (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).

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 4 - RECONCILIATION OF BUDGET BASIS TO GAAP BASIS (Continued)

- (c) Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
- (d) Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
- (e) Certain funds are maintained as separate funds for accounting and budgetary purposes (budget basis) but do not meet the criteria for separate reporting in the financial statements (GAAP basis) and are reported in the General Fund in accordance with GASB Statement No. 54.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund and major special revenue funds.

Description	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources/Uses Net Changes in Fund Balance		
	General	Street	Recreation
Budget Basis	(\$1,166,460)	(\$45,699)	(\$123,581)
<i>Adjustments:</i>			
Revenue Accruals	(475,022)	4,070	(2,707)
Expenditure Accruals	1,052,896	53,505	219,511
Encumbrances	1,405,399	710,878	18,333
Other Financing Sources	(440,000)	0	0
<i>GAAP Basis</i>	<u>\$376,813</u>	<u>\$722,754</u>	<u>\$111,556</u>

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

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

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS (Continued)

- (1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government 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 fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (6) The State Treasury Assets Reserve of Ohio (STAR Ohio);
- (7) Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
- (8) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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.

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS (Continued)

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

Investments 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "*Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*", and GASB Statement No. 40, "*Deposit and Investment Risk Disclosure*."

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

At December 31, 2022, the carrying amount of all City deposits was \$31,222,803. Based on the criteria described in GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*", as of December 31, 2022, \$30,382,460 of the City's bank balance of \$31,632,460 was exposed to custodial risk as discussed above while \$1,250,000 was covered by Federal Deposit Insurance. The \$30,382,460 exposed to custodial risk was collateralized with securities held by the City or its agency in the City's name.

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 the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Three of the City's four financial institutions are enrolled in the OPCS; however, at December 31, 2022, the financial institutions still maintained their own collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2022, the City had the following investments:

Investment Type	Fair Value	Investments Maturities	
		Less than One Year	One to Three Years
Federal National Mortgage Association	\$144,089	\$144,089	\$0
Federal Home Loan Mortgage Corporation Notes	496,215	298,982	197,233
Federal Farm Credit Bank Notes	2,321,886	1,095,608	1,226,278
Federal Home Loan Bank	1,696,857	897,070	799,787
U.S. Treasury Notes	3,067,258	2,825,367	241,891
Commercial Paper	3,728,710	3,728,710	0
Negotiable CD's	1,003,932	1,003,932	0
STAROhio	1,492,138	1,492,138	0
Money Market	2,180,482	2,180,482	0
Totals	\$16,131,567	\$13,666,378	\$2,465,189

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City’s policy limits investment portfolio maturities to five years or less.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City’s policy limits its investments to those authorized by State statute. Standard and Poor’s has assigned a rating of “AAAm” to STAR Ohio and a rating of AA+ to the Federal agency securities, and U.S. Treasury Notes. Credit ratings for the negotiable CDs and Commercial Paper are not readily available. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Custodial Credit Risk – For investments, custodial credit risk is the risk that, in event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The City’s policy provides that investments be held in the City’s name. All of the City’s investments are held in the City’s name.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s policy minimizes concentration of credit risk by diversifying assets by issuer as necessary. The City’s investments in Federal National Mortgage Association, Federal Home Loan Mortgage Corporation Notes, Federal Farm Credit Bank Notes, Federal Home Loan Bank, U.S. Treasury Notes, Commercial Paper, Negotiable CDs, STAR Ohio and Money Market were 1%, 3%, 14%, 11%, 19%, 23%, 6%, 9%, and 14%, respectively, of the City’s total investments.

The City has categorized 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 above chart identifies the City’s recurring fair value measurements as of December 31, 2022. As discussed further in Note 2, STAR Ohio is reported at its amortized cost. All of the City’s other investments are Level 1 inputs.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 6 - PROPERTY TAXES

Property taxes, include amounts levied against all real and public utility property located in the City. Real property taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35 percent of appraised market value. Real property taxes are collected in and intended to finance the year following the year in which they are levied.

Public utility property taxes are assessed on land and improvements at true value (normally 50 percent of cost).

The assessed value upon which the 2022 taxes were collected was \$441,423,720. The full tax rate for all City operations that was applied to real property for the year ended December 31, 2022 was \$2.60 per \$1,000 of assessed valuation for City residents in Athens Township, and \$2.40 per \$1,000 of assessed valuation for City residents in Canaan Township. Real property owners' tax bills are reduced for inflationary increases in property values and when applicable, are further reduced by homestead and rollback deductions. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

<i>Real Property:</i>	
Residential/Agricultural	\$224,716,090
Commercial/Industrial	194,943,930
	419,660,020
 <i>Personal Property:</i>	
Public Utilities	21,763,700
	21,763,700
Total Assessed Valuation	\$441,423,720

Real property taxes are payable annually or semi-annually. If paid annually, payment is due May 19; if paid semi-annually, the first payment is due May 19 with the remainder payable by August 25. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Personal property taxes paid by multi-county taxpayers are due October 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due June 23; if paid semi-annually, the first payment is due June 23, with the remainder payable by October 20.

Accrued property taxes receivable represents delinquent taxes outstanding and real and public utility taxes which were measurable as of December 31, 2022. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not intended to finance 2022 operations. The receivable is therefore offset by a credit to deferred inflows of resources.

NOTE 7 - INCOME TAX REVENUE

The City levies a tax of 1.85 percent on all salaries, wages, commissions, other compensation and net profits earned within the City, as well as, on incomes of residents earned outside the City. In the latter case, the City allows a credit of 1.25 percent of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employee's compensation and remit the tax to the City as follows:

1. In quarterly payments to be made on or before the last day of the month following each calendar quarter of the year, if the amount to be deducted and withheld during the quarter will not exceed \$200 a month or \$2,400 a year.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 7 - INCOME TAX REVENUE (Continued)

2. In monthly payments to be made on or before the 15th day of the month following each month of each year, if the amount to be deducted and withheld during the month exceeds \$200 a month or \$2,400 a year.

In 2022, the income tax generated a total of \$16,777,245 in income tax revenue.

NOTE 8 - INTERFUND ACTIVITY

A summary of interfund transfers for 2022 were as follows:

Fund	Transfers In	Transfers Out
General	\$14,242	\$52,500
Street	334,565	0
Recreation	380,000	0
Water	4,015	0
Sewer	410,962	0
Parking Garage	0	5,000
<i>Nonmajor Governmental Funds:</i>		
Armory/Hudson Street Buildings	2,500	0
Cemetery	50,000	0
Community Development Block Grant	0	9,302
American Rescue Plan	0	380,000
FEMA Grants	0	749,482
Total Nonmajor Funds	52,500	1,138,784
Totals	\$1,196,284	\$1,196,284

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9 - INTERGOVERNMENTAL RECEIVABLE

Receivables at December 31, 2022 consisted of property taxes, income taxes, accounts (billings for user charged services), special assessments, interest and intergovernmental grants. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivable follows:

Governmental Activities	
<i>General Fund:</i>	
Local Government Distributions	\$587,931
<i>Street Fund:</i>	
Street Maintenance Distributions	442,009
Nonmajor Special Revenue Funds	127,575
Total Intergovernmental Receivables	\$1,157,515

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 10 – DEFERRED INFLOWS/DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets 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 of are reported on the government-wide Statement of Net Position and include pension and OPEB expense, and asset retirement obligations. A deferral for pension results from changes in Net Pension Liability and Net OPEB Liability/Asset not recognized as a component of current year pension expense. This amount is deferred and amortized over various periods as instructed by the pension plan administrators. Deferred outflows of resources related to pensions and OPEB are explained further in Notes 14 and 15.

A summary of deferred outflows of resources reported in the Statements of Net Position follows:

	Governmental Activities	Business-Type Activities	Water	Sewer
<i>Deferred Outflows of Resources:</i>				
Pension Expense	\$4,633,259	\$490,905	\$239,763	\$251,142
OPEB Expense	936,095	0	0	0
Asset Retirement Obligations	0	5,128,359	0	5,128,359
Total Deferred Outflows of Resources	\$5,569,354	\$5,619,264	\$239,763	\$5,379,501

In addition to liabilities, the Statements of Net Position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets 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, payments in lieu of taxes, unavailable revenues and pension/OPEB. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2022, but which were levied to finance year 2023 operations. These amounts have been recorded as deferred inflows on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported 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, income taxes, franchise taxes, intergovernmental grants, special assessments, and charges for services. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Additionally, deferred inflows related to pensions/OPEB are reported in the government-wide Statement of Net Position. Deferred inflows related to pensions/OPEB result from changes in Net Pension Liability and Net OPEB Liability/Asset not recognized as a component of current year pension expense. Deferred inflows of resources related to pension are explained further in Notes 14 and 15.

A summary of deferred inflows of resources reported in the Statement of Net Position follows:

	Governmental Activities	Business-Type Activities	Water	Sewer
<i>Deferred Inflows of Resources:</i>				
Nonexchange Revenue	\$1,085,713	\$0	\$0	\$0
Pensions	7,750,308	1,624,396	818,965	805,431
OPEB	1,959,101	493,148	249,190	243,958
Total Deferred Inflows of Resources	\$10,795,122	\$2,117,544	\$1,068,155	\$1,049,389

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 10 – DEFERRED INFLOWS/DEFERRED OUTFLOWS OF RESOURCES (Continued)

On the modified accrual basis of accounting, the City has recorded certain receivables where the related revenue is unavailable. Unavailable revenue has been reported as deferred inflow of resources on the governmental fund Balance Sheet as follows:

Governmental Funds	General	Street	Other Governmental Funds
Property Taxes	\$1,100,726	\$0	\$0
Special Assessments	28,461	0	0
Intergovernmental	470,930	362,996	77,393
Total Deferred Inflows of Resources	\$1,600,117	\$362,996	\$77,393

NOTE 11- CAPITAL ASSETS

The following is a summary of changes in the capital assets of the governmental activities during the fiscal year:

	Balance January 1, 2022	Additions/ Transfers	Deletions/ Transfers	Balance December 31, 2022
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$3,286,876	\$0	(\$35,000)	\$3,251,876
Infrastructure	66,668,257	1,212,364	0	67,880,621
Construction in Progress	8,165,922	3,768,938	(223,501)	11,711,359
Total Nondepreciable Capital Assets	78,121,055	4,981,302	(258,501)	82,843,856
<i>Depreciable Capital Assets:</i>				
Land Improvements	8,890,921	163,003	(116,750)	8,937,174
Buildings	23,234,233	95,498	0	23,329,731
Machinery, Equipment and Vehicles	9,251,694	167,426	(187,211)	9,231,909
Infrastructure	20,661,129	0	0	20,661,129
Total Depreciable Capital Assets	62,037,977	425,927	(303,961)	62,159,943
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(831,835)	(261,591)	31,721	(1,061,705)
Buildings	(9,000,872)	(527,394)	0	(9,528,266)
Machinery, Equipment and Vehicles	(8,110,993)	(546,106)	187,211	(8,469,888)
Infrastructure	(5,843,441)	(234,416)	0	(6,077,857)
Total Accumulated Depreciation	(23,787,141)	(1,569,507)	218,932	(25,137,716)
Total Depreciable Capital Assets, Net	38,250,836	(1,143,580)	(85,029)	37,022,227
Governmental Activities Capital Assets, Net	\$116,371,891	\$3,837,722	(\$343,530)	\$119,866,083

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 11 - CAPITAL ASSETS (Continued)

For governmental activities, depreciation expense was charged to functions as follows:

Governmental Activities	
General Government	\$310,991
<i>Security of Persons and Property:</i>	
Police	14,826
Fire	316,941
Leisure Time Activities	433,785
Transportation	492,964
Total Governmental Activities Depreciation Expense	<u>\$1,569,507</u>

The following is a summary of changes in the capital assets of the business-type activities for the fiscal year:

	Balance December 31, 2021	Additions/ Transfers	Deletions/ Transfers	Balance December 31, 2022
<i>Nondepreciable Capital Assets:</i>				
Land	\$463,489	\$0	\$0	\$463,489
Construction in Progress	4,955,333	1,571,725	(737,178)	5,789,880
Total Nondepreciable Capital Assets	<u>5,418,822</u>	<u>1,571,725</u>	<u>(737,178)</u>	<u>6,253,369</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	8,555	116,751	0	125,306
Buildings	37,252,514	737,178	0	37,989,692
Machinery, Equipment and Vehicles	2,849,266	27,289	(9,345)	2,867,210
Infrastructure	30,313,818	0	0	30,313,818
Total Depreciable Capital Assets	<u>70,424,153</u>	<u>881,218</u>	<u>(9,345)</u>	<u>71,296,026</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(8,555)	(18,972)	0	(27,527)
Buildings	(9,871,342)	(707,201)	0	(10,578,543)
Machinery, Equipment and Vehicles	(2,288,248)	(267,060)	9,345	(2,545,963)
Infrastructure	(18,694,460)	(534,358)	0	(19,228,818)
Total Accumulated Depreciation	<u>(30,862,605)</u>	<u>(1,527,591)</u>	<u>9,345</u>	<u>(32,380,851)</u>
Total Depreciable Capital Assets, Net	<u>39,561,548</u>	<u>(646,373)</u>	<u>0</u>	<u>38,915,175</u>
Business-Type Activities Capital Assets, Net	<u>\$44,980,370</u>	<u>\$925,352</u>	<u>(\$737,178)</u>	<u>\$45,168,544</u>

The business-type activities of the City are the parking garage, water, sewer and garbage operations.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 12 - NOTES PAYABLE

The Ohio Revised Code provides that notes, including renewal notes, issued in anticipation of the issuance of general obligation bonds, may be issued and outstanding from time to time up to a maximum period of twenty (20) years from the date of issuance of the original notes (the maximum maturity for notes anticipating general obligation bonds payable from special assessments is five (5) years). Any period in excess of five (5) years must be deducted from the permitted maximum maturity of bonds anticipated, and portions of the principal amount of notes outstanding for more than five (5) years must be retired in amounts at least equal to, and payable not later than, those principal maturities that would have been required if the bonds had been issued at the expiration of the initial five (5) year period.

Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or available funds of the City, or a combination of these sources. All notes are backed by the full faith and credit of the City.

The following is a summary of the City's note obligation activity for the year ended December 31, 2022.

Purpose	Maturity Date	Interest Rate	Balance January 1, 2022	Additions	Deletions	Balance December 31, 2022
<u>Governmental Activities</u>						
<i>Notes Payable:</i>						
Parking Meters	2022	1.50%	\$0	140,000	\$0	\$140,000
Fire Equipment Bond	2022	0.75%	0	300,000	0	300,000
Parking Meters	2021	1.60%	290,000	0	290,000	0
Fire Equipment Bond	2021	0.75%	400,000	0	400,000	0
Governmental Activities Notes Payable			<u>\$690,000</u>	<u>\$440,000</u>	<u>\$690,000</u>	<u>\$440,000</u>

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2022 was as follows:

Description	Maturity Date	Interest Rate	Restated Balance January 1, 2022	Additions	Deletions	Balance December 31, 2022	Amounts Due Within One Year
<u>Governmental Activities:</u>							
<i>General Obligation Bonds Payable:</i>							
University Estates St. Imp Bonds	2024	2.30%	\$139,455	\$0	\$45,432	\$94,023	\$46,477
Swimming Pool Imp Bonds	2035	2.00%	6,135,000	0	280,000	5,855,000	295,000
Fire Station Bonds Issued			0	9,000,000	0	9,000,000	18,755
Premium on Bonds Issued			725,618	375,112	51,830	1,048,900	0
<i>Other Long-Term Obligations:</i>							
OPWC Loan - Stimson Avenue			0	400,000	10,000	390,000	20,000
SIB Loan - Stimson Avenue			2,430,466	1,666,838	84,163	4,013,141	177,371
Compensated Absences			1,225,971	701,716	755,192	1,172,495	714,545
<i>Net Pension Liability:</i>							
OPERS			4,792,128	0	1,933,307	2,858,821	0
OP&F			10,300,275	0	783,084	9,517,191	0
Total Net Pension Liability			15,092,403	0	2,716,391	12,376,012	0
<i>Net OPEB Liability:</i>							
OP&F			1,600,875	68,880	0	1,669,755	0
Total Net OPEB Liability			1,600,875	68,880	0	1,669,755	0
Governmental Activities Long-Term Obligations			27,349,788	12,212,546	3,943,008	35,619,326	1,272,148

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

Purpose/Description	Maturity Date	Interest Rate	Restated Balance January 1, 2022	Additions	Deletions	Balance December 31, 2022	Amounts Due Within One Year
<u>Business-Type Activities</u>							
<i>OWDA Loans Payable:</i>							
Loan No. 3873	2023	3.53%	\$353,524	\$0	\$173,670	\$179,854	\$179,854
Original Issue Date - 2004							
Original Issue Amount - \$2,632,603							
Loan No. 5259	2030	0.00%	216,000	0	24,000	192,000	24,000
Original Issue Date - 2009							
Original Issue Amount - \$480,000							
Loan No. 6270	2033	2.63%	513,997	0	36,949	477,048	37,927
Original Issue Date - 2012							
Original Issue Amount - \$777,271							
Loan No. 6426	2035	1.82%	12,879,304	0	815,572	12,063,732	830,482
Original Issue Date - 2013							
Original Issue Amount - \$17,474,264							
Loan No. 7856	2040	1.81%	5,028,856	0	231,112	4,797,744	235,314
Original Issue Date - 2017							
Original Issue Amount - \$10,873,616							
Loan No. 8925	2027	0.00%	675,706	192,945	115,660	752,991	0
Original Issue Date - 2020							
Original Issue Amount - \$1,156,604							
Loan No. 9084	2052	0.00%	1,517,648	1,507,071	0	3,024,719	0
Original Issue Date - 2020							
Original Issue Amount - \$3,052,786							
<i>Other Long-term Obligations:</i>							
Parking Garage Renovation Bonds	2029	2.32%	1,165,000	0	135,000	1,030,000	135,000
Compensated Absences			454,802	265,903	338,890	381,815	225,151
Asset Retirement Obligation			7,540,000	0	0	7,540,000	0
Net Pension Liability - OPERS:							
Water			1,083,553	0	514,360	569,193	0
Sewer			1,083,553	0	494,677	588,876	0
Total Net Pension Liability - OPERS			<u>2,167,106</u>	<u>0</u>	<u>1,009,037</u>	<u>1,158,069</u>	<u>0</u>
Business-Type Activities Long-Term Obligations			<u>32,511,943</u>	<u>1,965,919</u>	<u>2,879,890</u>	<u>31,597,972</u>	<u>\$1,667,728</u>

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

The City's long-term debt requirements, excluding compensated absences as of December 31, 2022, are as follows:

For the Year Ending December 31	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	Payments		Payments	
	Principal	Interest	Principal	Interest
2023	\$557,603	\$871,141	\$1,442,577	\$341,831
2024	875,277	718,260	1,288,190	314,175
2025	873,254	683,543	1,314,038	290,078
2026	913,945	648,003	1,335,275	265,477
2027	969,806	610,741	1,361,909	240,479
2028-2032	5,613,352	2,429,933	6,665,456	820,559
2033-2037	5,693,881	1,286,154	4,551,542	243,531
2038-2042	<u>3,855,046</u>	<u>411,219</u>	<u>781,391</u>	<u>21,342</u>
	<u>\$19,352,164</u>	<u>\$7,658,994</u>	<u>\$18,740,378</u>	<u>\$2,537,472</u>

* Business-Type Activities does not include OWDA loans 8925 and 9084 due to loans not being completed at December 31, 2022.

Long-Term Bonds and Loans: All long-term debt issued for governmental purposes of the City (including special assessment debt with governmental commitment) is retired through the Debt Service Fund. OWDA enterprise loans are retired through the respective Enterprise Funds. OWDA loans are secured by revenues generated from enterprise operations. Special assessment bonds are secured by an unvoted property tax levy (special assessment), which constitutes a lien on assessed properties. In the event of default by the assessed property owners, the City would be obligated to pay the special assessment debt. These bonds are also backed by the full faith and credit of the City as additional security.

General obligations bonds are secured by 0.1 percent of the City's income tax. These bonds are also backed by the full faith and credit of the City.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

GASB 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 bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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 ACFR referenced above for additional information):

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 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.

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

	State and Local	
Statutory Maximum Contribution Rates	<u>2022</u>	<u>2021</u>
Employer	14.0 %	14.0 %
Employee	10.0 %	10.0 %
 Actual Contribution Rates		
Employer:		
Pension	14.0 %	14.0 %
Post-employment Health Care Benefits	<u>0.0 %</u>	<u>0.0 %</u>
 Total Employer	 <u>14.0 %</u>	 <u>14.0 %</u>
 Employee	 <u>10.0 %</u>	 <u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$988,280 for 2022. Of this amount, \$39,462 is reported as an intergovernmental payable.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF 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.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF 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 retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

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

	Police	Firefighters
2022 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
	Police	Firefighters
2022 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
	19.50 %	24.00 %
Total Employer		
Employee	12.25 %	12.25 %

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$886,298 for 2022. Of this amount, \$37,150 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2021, and was determined by rolling forward the total pension liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
<i>Proportion of the Net Pension Liability:</i>			
Current Measurement Date	0.0461690%	0.1523379%	
Prior Measurement Date	<u>0.0469970%</u>	<u>0.1510949%</u>	
Change in Proportionate Share	<u>-0.0008280%</u>	<u>0.0012430%</u>	
Proportionate Share of the Net Pension Liability	\$4,016,890	\$9,517,191	\$13,534,081
Pension Expense (Gain)	(\$1,295,862)	\$495,893	

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$204,775	\$274,420	\$479,195
Changes of Assumptions	502,308	1,739,333	2,241,641
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions	73,192	455,558	528,750
Contributions Subsequent to the Measurement Date	<u>988,280</u>	<u>886,298</u>	<u>1,874,578</u>
Total Deferred Outflows of Resources	<u>\$1,768,555</u>	<u>\$3,355,609</u>	<u>\$5,124,164</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$88,099	\$494,762	\$582,861
Net Difference between Projected and Actual Earnings on Pension Plan Investments	4,777,942	2,495,259	7,273,201
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions	<u>388,756</u>	<u>1,129,886</u>	<u>1,518,642</u>
Total Deferred Inflows of Resources	<u>\$5,254,797</u>	<u>\$4,119,907</u>	<u>\$9,374,704</u>

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

\$1,874,578 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30:</u>	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2023	(\$921,939)	(\$188,476)	(\$1,110,415)
2024	(1,669,035)	(839,030)	(2,508,065)
2025	(1,123,488)	(495,334)	(1,618,822)
2026	(760,060)	(327,983)	(1,088,043)
2027	0	200,227	200,227
	<u>(\$4,474,522)</u>	<u>(\$1,650,596)</u>	<u>(\$6,125,118)</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2021, using the following actuarial assumptions, applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2021.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Wage Inflation	2.75 percent	3.25 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
<i>COLA or Ad Hoc COLA:</i>		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	0.5 percent, simple through 2022, then 2.05 percent, simple	0.5 percent, simple through 2022, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	7.20 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

The most recent experience study was completed for the five-year period ended December 31, 2020.

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

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 15.3% for 2021.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

Discount Rate The discount rate used to measure the total pension liability was 6.9 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future 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.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	24.00 %	1.03 %
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other Investments	4.00	2.85
Total	100.00 %	4.21%

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 6.9 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 (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net Pension Liability/(Asset)	\$10,590,707	\$4,016,890	(\$1,453,400)

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2022 is based on the results of an actuarial valuation date of January 1, 2021, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF'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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2021, are presented below:

January 1, 2022	January 1, 2021
January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021 Entry Age Normal 7.5 percent 3.75 percent to 10.5 percent 3.25 percent annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent 2.2 percent simple	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021 Entry Age Normal 8.0 percent 3.75 percent to 10.5 percent Inflation rate of 3.25 percent plus productivity of inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent 2.2 percent simple

For the January 1, 2021, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

For the January 1, 2021, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

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

The most recent experience study was completed as of December 31, 2016. The actuarial assumptions used in the valuation are based on the results of a five-year experience review covering the period 2012-2016. The experience study was performed by OP&F's prior actuary and the assumptions were effective January 1, 2017.

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. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2021 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	21.00	3.60
Non-US Equity	14.00	4.40
Private Markets	8.00	6.80
Core Fixed Income*	23.00	1.10
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds	17.00	0.80
Midstream Energy Infrastructure	5.00	5.00
Real Assets	8.00	5.90
Gold	5.00	2.40
Private Real Estate	12.00	4.80
Total	125.00 %	

Note: Assumptions are geometric

*levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF'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 1.25 times due to the application of leverage in certain fixed income asset classes.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.50 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 7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's Proportionate Share of the Net Pension Liability	\$14,113,862	\$9,517,191	\$5,689,300

NOTE 15 –DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/(Asset)

The net OPEB liability/asset 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.

NOTE 15 – DEFINED BENEFIT OPEB PLANS (Continued)

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.

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.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via a Health Reimbursement Arrangement allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

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’ ACFR 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 Systems’ Board of Trustees, a portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, 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.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 15 – DEFINED BENEFIT OPEB PLANS (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2022. 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 2022 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required OPEB contribution was \$0 for 2022.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees.

OP&F provides 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 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.

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 2019, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 15 – DEFINED BENEFIT OPEB PLANS (Continued)

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

The City’s contractually required OPEB contribution to OP&F was \$21,022 for 2022. Of this amount, \$0 is reported as an intergovernmental payable.

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

The net OPEB asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, 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, 2021, and was determined by rolling forward the total OPEB liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
<i>Proportion of the Net OPEB Liability:</i>			
Current Measurement Date	0.045027%	0.1523379%	
Prior Measurement Date	<u>0.046343%</u>	<u>0.1510949%</u>	
Change in Proportionate Share	<u>-0.001316%</u>	<u>0.0012430%</u>	
Proportionate Share of the Net OPEB Liability/(Asset)	(\$1,410,315)	\$1,669,755	\$259,440
OPEB Expense (Gain)	(\$1,578,523)	\$143,082	(\$1,435,441)

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between Expected and Actual Experience	\$0	\$75,958	\$75,958
Changes of Assumptions		739,094	739,094
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions Subsequent to the Measurement Date	2,253	97,768	100,021
	<u>0</u>	<u>21,022</u>	<u>21,022</u>
Total Deferred Outflows of Resources	<u>\$2,253</u>	<u>\$933,842</u>	<u>\$936,095</u>

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 15 – DEFINED BENEFIT OPEB PLANS (Continued)

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
<u>Deferred Inflows of Resources</u>			
Differences between Expected and Actual Experience	\$213,923	\$220,686	\$434,609
Net Difference between Projected and Actual Earnings on Plan Investments	672,334	150,837	823,171
Changes of Assumptions	570,878	193,931	764,809
Contributions and Proportionate Share of Contributions	<u>206,310</u>	<u>223,350</u>	<u>429,660</u>
Total Deferred Inflows of Resources	<u>\$1,663,445</u>	<u>\$788,804</u>	<u>\$2,452,249</u>

\$21,022 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 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30:</u>	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2022	(\$1,097,594)	\$38,181	(\$1,059,413)
2023	(320,136)	15,786	(304,350)
2024	(146,903)	25,945	(120,958)
2025	(96,559)	2,887	(93,672)
2026	0	20,648	20,648
Thereafter	<u>0</u>	<u>20,569</u>	<u>20,569</u>
	<u>(\$1,661,192)</u>	<u>\$124,016</u>	<u>(\$1,537,176)</u>

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan 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, 2020, rolled forward to the measurement date of December 31, 2021. 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:

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 15 – DEFINED BENEFIT OPEB PLANS (Continued)

	December 31, 2022	December 31, 2021
Wage Inflation	2.75 percent	3.25 percent
Projected Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:		
Current Measurement Date	6.00 percent	6.00 percent
Prior Measurement Date	6.00 percent	6.00 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	1.84 percent	2.00 percent
Health Care Cost Trend Rate	5.5 percent, initial 3.50 percent, ultimate in 2034	8.5 percent 3.50 percent, ultimate in 2035
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2021, 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 healthcare related payments are assumed to occur mid-year. Accordingly, the money weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 14.30% for 2021.

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined benefit pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 15 – DEFINED BENEFIT OPEB PLANS (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	0.91 %
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other Investments	7.00	1.93
Total	100.00 %	3.45%

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. 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 1.84 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2121. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2121, 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 Asset to Changes in the Discount Rate

The following table presents the City’s proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what the City’s proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one percentage-point higher (7.00 percent) than the current rate:

	1% Decrease	Current Discount	1% Increase
City's Proportionate Share of the Net OPEB Asset	\$829,397	\$1,410,315	\$1,892,485

Sensitivity of the City’s Proportionate Share of the Net OPEB Asset 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 asset. 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.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 15 – DEFINED BENEFIT OPEB PLANS (Continued)

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 2022 is 5.5 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.

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
City's Proportionate Share of the Net OPEB Asset	\$1,425,555	\$1,410,315	\$1,392,235

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2022, is based on the results of an actuarial valuation date of January 1, 2021, 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.

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

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 15 –DEFINED BENEFIT OPEB PLANS (Continued)

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50 percent	8.0 percent
Payroll Growth	3.25 percent	3.25 percent
Salary Increases	3.75 percent to 10.50 percent	3.75 percent to 10.50 percent
Projected Depletion Year of OPEB Assets	2037	2037
Single Discount Rate:		
Current measurement date	2.84 percent	2.96 percent
Prior measurement date	2.96 percent	3.56 percent
Stipend Increase Rate	The stipend is not assured to increase over the projection period.	The stipend is not assured to increase over the projection period.
Cost of Living Adjusting	2.2 percent Simple per year	2.2 percent Simple per year

Healthy Mortality rates were based on the RP-2014 Total Employee and Healthy Mortality Tables rolled back to 2006, adjusted and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%. Disability Mortality rates were based on RP-2014 Disability Mortality Tables rolled back to 2006, adjusted and projected with the Conduent Modified 2016 Improvement Scale.

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

Disabled 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. 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, 2021, are summarized below:

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 15 – DEFINED BENEFIT OPEB PLANS (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	21.00	3.60
Non-US Equity	14.00	4.40
Private Markets	8.00	6.80
Core Fixed Income*	23.00	1.10
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds	17.00	0.80
Midstream Energy Infrastructure	5.00	5.00
Real Assets	8.00	5.90
Gold	5.00	2.40
Private Real Estate	12.00	4.80
Total	<u>125.00 %</u>	

Note: Assumptions are geometric

*levered 2x

OP&F’s Board of Trustees has incorporated the risk parity concept into OP&F’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 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 2.84 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 7.5 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 2.05 percent at December 31, 2021 and 2.12 percent at December 31, 2020, was blended with the long-term rate of 7.5 percent, which resulted in a blended discount rate of 2.84 percent.

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 2.84 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 (1.84 percent), or one percentage point higher (3.84 percent) than the current rate.

City's Proportionate Share of the Net OPEB Liability	1% Decrease	Current Discount Rate	1% Increase
	\$2,098,919	\$1,669,755	\$1,316,981

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 16 - EMPLOYEE BENEFITS

Compensated Absences

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 16, the City accrues a liability for sick leave and vacation when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined.

Sick leave accumulates at the rate of .0575 hours of sick leave for each hour of work completed with a maximum of 80 hours per pay period. Upon retirement eligible employees are compensated at a rate of one hour for each four hours of accumulated and unused sick leave, to a maximum of 240 hours. A liability has been recognized in the accompanying financial statements for a portion of the sick leave hours of those employees who have ten years of service and are age 55 or older, or have thirty years with local government employment as well as other employees who are expected to become eligible in the future to receive such payments.

A liability for accrued vacation has been recognized based on the amount of unused vacation hours for each employee. Vacation is accumulated based upon length of service as follows (for full-time non-union employees only):

<u>Employee Service</u>	<u>Vacation Credit</u>
After 1 year	2 weeks
After 8 years	3 weeks
After 15 years	4 weeks
After 25 years	5 weeks

Vacation leave upon separation from the City Service an employee is paid, at their current rate, for up to three years of accrued unused vacation leave.

NOTE 17 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries and natural disasters. The City has addressed these various types of risk by participating in a risk-sharing pool and by purchasing comprehensive insurance through a commercial carrier.

General liability insurance is maintained in the amount of \$5,000,000 in the aggregate, which includes \$5,000,000 law enforcement professional liability, \$5,000,000 for public official errors and omissions liability, \$5,000,000 for automobile liability, and \$40,000 for uninsured and \$40,000 for underinsured motorist liability.

In addition, the City maintains replacement cost insurance on buildings and contents in the amount of \$141,347,159. Other property insurance includes the following: \$2,237,261 for contractor's equipment. Vehicle coverage is valued at \$5,975,475.

Insurance deductibles on any of the above coverage's do not exceed \$15,000. The City maintains comprehensive insurance coverage for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90 percent coinsured. Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. The City pays all public officials' bonds by statute.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 17 - RISK MANAGEMENT (Continued)

The City has not incurred any significant reductions in insurance coverage from coverage in the prior year by major category of risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The City participates in a medical self-insurance plan for employees who cover medical claims and prescription drugs. The medical portion is a limited risk health plan with a third-party administrator, Employee Benefits Services (EBS), Inc. that is part of the Medical Mutual of Ohio. The prescription drug coverage is administered by Appro-RX, with the employee paying a co-pay amount, then Appro-RX paying the balance and billing the City. All claims are paid by the third-party administrator under policies established by the City. The City pays an administrative fee to EBS to service the claims. All departmental funds contribute to the Medical Internal Service Fund based on fees legislatively set by Council to insure historical and anticipated claims coverage in relation to the number of employees paid from each departmental fund. The medical service fund is presented in the financial statements and reflects all fees paid into the fund and all claims and administrative costs paid out of the fund. The City also carries a specific excess coverage (stop-loss) policy for medical claims in excess of \$110,000 per person and \$3,796,854 in the aggregate. The specific and aggregate excess loss insurance is carried with United States Fire Insurance Company through the third-party administrator. The Managing General Underwriter is Certus Management Group.

The City maintains a liability for claims in the Medical Internal Service Fund that is based on actuarial forecasts developed by the third-party administrator.

Changes in the fund's claims liability in 2022 and 2021 were as follows:

Year	Beginning Year Balance	Current Year Claims	Claims Payments	Ending Year Balance
2021	\$96,644	\$3,803,667	\$3,703,193	\$197,118
2022	197,118	3,169,730	3,255,825	111,023

The City carries a separate coverage for life insurance with a private commercial carrier, CIGNA, for each employee. The amounts of coverage are \$25,000 for life insurance and \$25,000 for AD&D insurance for all employees.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 18 – FUND BALANCES

As of December 31, 2022 fund balances are composed of the following:

	General	Street	Recreation	Safety Services Police & Fire Capital	All Other Governmental Funds	Total Governmental Funds
<u>Nonspendable:</u>						
Prepaid Items	\$172,000	\$3,945	\$14,770	\$0	\$27,019	\$217,734
Materials & Supplies	35,524	94,025	0	0	1,996	131,545
Unclaimed Monies	1,808	0	0	0	0	1,808
Total Nonspendable	209,332	97,970	14,770	0	29,015	351,087
<u>Restricted:</u>						
Transportation	0	4,219,091	0	0	904,879	5,123,970
Parks & Recreation	0	0	1,092,828	0	2,484,843	3,577,671
Capital Projects	0	0	0	8,998,011	5,631,849	14,629,860
Tourism	0	0	0	0	60,536	60,536
Cable Access	0	0	0	0	207,169	207,169
Court	0	0	0	0	219,774	219,774
Community Econ. Dev.	0	0	0	0	555,994	555,994
Police	0	0	0	0	818,754	818,754
Fire	0	0	0	0	202,575	202,575
Loans Receivable	0	0	0	0	82,035	82,035
Expendable Trust	0	0	0	0	1,209	1,209
Total Restricted	0	4,219,091	1,092,828	8,998,011	11,169,617	25,479,547
<u>Assigned:</u>						
Administration	592,291	0	0	0	0	592,291
Police	90,190	0	0	0	0	90,190
Fire	622,291	0	0	0	0	622,291
Community and Econ. Dev.	15,042	0	0	0	0	15,042
Transportation	85,585	0	0	0	0	85,585
	1,405,399	0	0	0	0	1,405,399
<i>Unassigned</i>	5,114,477	0	0	0	0	5,114,477
Total Fund Balances	<u>\$6,729,208</u>	<u>\$4,317,061</u>	<u>\$1,107,598</u>	<u>\$8,998,011</u>	<u>\$11,198,632</u>	<u>32,350,510</u>

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 19 – ENCUMBRANCE COMMITMENTS

At December 31, 2022, the City had encumbrance commitments in the Governmental Funds as follows:

<u>Major Funds</u>	
General	\$1,405,399
Street	710,878
Recreation	18,333
Safety Services Police & Fire Capital	598,135
<u>Nonmajor Funds:</u>	
Cemetery	2,440
Tourism	261
State Highway	18,692
Cable Access	2,913
Transportation Assistance	43,119
Judges Court Computer	2,940
Clerk Court Computer	6,988
Diversion Program	2,827
Community Correction Grant	2
DUI Court Grant	13,343
Community Development Block Grant	119,800
Athens City Enhancement	7,051
Community Center	26,050
Community Center Phase II	298,148
APR Income Tax	720,056
American Rescue Plan Act	800,000
Drug Law Enforcement	989
Street Rehabilitation	101,701
Capital Improvements	939,922
Armory/Hudson Street Buildings	1,593
Court Capital	19,950
<i>Total Nonmajor Funds</i>	<u>3,128,785</u>
Total Encumbrances	<u><u>\$5,861,530</u></u>

NOTE 20 - CONTINGENCIES

The City is the Appellee in a single appeal from a decision of the Board of Zoning Appeals in several claims and legal proceedings which may be classified as routine litigation in which minimal damages are being sought. The City believes that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

In addition, the City participates in several federal and state assisted grants and programs that are subject to financial and compliance audits by grantor agencies or their representatives. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The City believes that disallowed claims, if any, will not have a material adverse effect on the City's financial condition.

City of Athens, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of Net Pension/OPEB Liability/Asset
Ohio Public Employees Retirement System - Traditional Plan
Last Nine Years

	2021	2020	2019	2018
<u>Pension</u> (1)				
City's Proportion of the Net Pension Liability	0.046169%	0.046997%	0.051981%	0.054788%
City's Proportionate Share of the Net Pension Liability	\$4,016,890	\$6,959,233	\$10,274,397	\$15,005,324
City Covered-Employee Payroll	\$6,959,400	\$6,782,443	\$7,506,293	\$7,512,079
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	57.72%	102.61%	136.88%	199.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.62%	86.88%	145.28%	84.66%
<u>OPEB</u> (2)				
City's Proportion of the Net OPEB Liability	0.045027%	0.046343%	0.051900%	0.054166%
City's Proportionate Share of the Net OPEB Asset	\$1,410,315	\$825,638	\$0	\$0
City's Proportionate Share of the Net OPEB Liability	\$0	\$0	\$7,168,738	\$7,061,968
City Covered-Employee Payroll	\$6,959,400	\$6,782,443	\$7,506,293	\$7,512,079
City's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered-Employee Payroll	-20.26%	-12.17%	95.50%	94.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	128.23%	115.57%	47.80%	54.14%

(1) Information prior to 2013 is not available.

(2) Information prior to 2016 is not available.

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

2017	2016	2015	2014	2013
0.054791%	0.052494%	0.051797%	0.051579%	0.051579%
\$8,595,646	\$11,920,495	\$8,971,893	\$6,221,004	\$6,080,492
\$7,274,200	\$6,846,457	\$6,853,014	\$6,703,729	\$7,178,631
118.17%	174.11%	130.92%	92.80%	84.70%
84.66%	77.25%	81.08%	86.45%	86.36%
0.053920%	0.053920%	N/A	N/A	N/A
\$0	\$0	N/A	N/A	N/A
\$5,855,315	\$5,228,946	N/A	N/A	N/A
\$7,274,200	\$6,846,457	N/A	N/A	N/A
80.49%	76.37%	N/A	N/A	N/A
54.14%	54.05%	N/A	N/A	N/A

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

	2021	2020	2019	2018
<i><u>OP&F - Police</u></i>				
City's Proportion of the Net Pension Liability	0.0742476%	0.0731461%	0.0893449%	0.077907%
City's Proportionate Share of the Net Pension Liability	\$4,638,561	\$4,986,435	\$6,018,750	\$6,359,270
City Covered-Employee Payroll	\$2,184,128	\$1,987,236	\$2,376,026	\$1,962,851
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	212.38%	250.92%	253.31%	323.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.03%	70.65%	69.89%	70.91%
<i><u>OP&F - Fire</u></i>				
City's Proportion of the Net Pension Liability	0.0780903%	0.0779488%	0.083618%	0.086655%
City's Proportionate Share of the Net Pension Liability	\$4,878,630	\$5,313,840	\$5,632,955	\$7,073,338
City Covered-Employee Payroll	\$1,862,671	\$1,746,308	\$1,790,413	\$1,772,975
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	261.92%	304.29%	314.62%	398.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.03%	70.65%	69.89%	70.91%

(1) Information prior to 2013 is not available.

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

2017	2016	2015	2014	2013
0.076096%	0.077991%	0.07617%	0.0831822%	0.0831822%
\$4,670,378	\$4,939,846	\$4,900,089	\$4,309,185	\$4,051,234
\$1,851,051	\$1,874,851	\$1,767,995	\$1,826,733	\$1,799,564
252.31%	263.48%	277.16%	235.90%	225.12%
70.91%	68.36%	66.77%	72.20%	73.00%
0.088967%	0.087379%	0.085776%	0.0868143%	0.0868143%
\$5,460,316	\$5,534,497	\$5,518,003	\$4,497,343	\$4,228,129
\$1,749,063	\$1,705,783	\$1,587,533	\$1,558,988	\$1,544,429
312.19%	324.45%	347.58%	288.48%	273.77%
70.91%	68.36%	66.77%	72.20%	73.00%

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

	2021	2020	2019	2018
<i><u>OP&F - Police</u></i>				
City's Proportion of the Net OPEB Liability	0.0742476%	0.0731461%	0.0893449%	0.077907%
City's Proportionate Share of the Net OPEB Liability	\$813,818	\$774,995	\$882,525	\$709,463
City Covered-Employee Payroll	\$2,184,128	\$1,987,236	\$2,376,026	\$1,962,851
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	37.26%	39.00%	37.14%	36.14%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.9%	45.4%	47.1%	14.13%
<i><u>OP&F - Fire</u></i>				
City's Proportion of the Net OPEB Liability	0.0780903%	0.0779488%	0.083618%	0.086655%
City's Proportionate Share of the Net OPEB Liability	\$855,937	\$825,880	\$825,956	\$789,127
City Covered-Employee Payroll	\$1,862,671	\$1,746,308	\$1,790,413	\$1,772,975
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	45.95%	47.29%	46.13%	44.51%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.9%	45.4%	47.1%	14.13%

(1) Information prior to 2016 is not available.

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

2017	2016
0.076096%	0.077991%
\$4,311,510	\$3,702,057
\$1,851,051	\$1,874,851
232.92%	197.46%
14.13%	15.96%
0.088967%	0.087379%
\$5,040,757	\$4,147,685
\$1,749,063	\$1,705,783
288.20%	243.15%
14.13%	15.96%

City of Athens, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Ten Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Pension</u>				
Contractually Required Contribution	\$988,280	\$974,316	\$949,542	\$1,050,881
Contributions in Relation to the Contractually Required Contribution	<u>(988,280)</u>	<u>(974,316)</u>	<u>(949,542)</u>	<u>(1,050,881)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$7,059,143	\$6,959,400	\$6,782,443	\$7,506,293
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%
<u>OPEB</u>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$7,059,143	\$6,959,400	\$6,782,443	\$7,506,293
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	0.00%

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$1,051,691	\$945,646	\$958,504	\$959,422	\$938,522	\$933,222
<u>(1,051,691)</u>	<u>(945,646)</u>	<u>(958,504)</u>	<u>(959,422)</u>	<u>(938,522)</u>	<u>(933,222)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$7,512,079	\$7,274,200	\$6,846,457	\$6,853,014	\$6,703,729	\$7,178,631
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
\$0	\$72,742	\$136,929	\$137,060	\$134,075	\$71,786
<u>0</u>	<u>(72,742)</u>	<u>(136,929)</u>	<u>(137,060)</u>	<u>(134,075)</u>	<u>(71,786)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$7,512,079	\$7,274,200	\$6,846,457	\$6,853,014	\$6,703,729	\$7,178,631
0.00%	1.00%	2.00%	2.00%	2.00%	1.00%

City of Athens, Ohio
Required Supplementary Information
Schedule of City Contributions - Pension
Ohio Police and Fire Pension Fund
Last Ten Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i><u>OP&F - Police</u></i>				
Contractually Required Contribution	\$429,599	\$414,984	\$377,575	\$451,445
Contributions in Relation to the Contractually Required Contribution	<u>(429,599)</u>	<u>(414,984)</u>	<u>(377,575)</u>	<u>(451,445)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$2,261,046	\$2,184,128	\$1,987,236	\$2,376,026
Contributions as a Percentage of Covered-Employee Payroll	19.00%	19.00%	19.00%	19.00%
<i><u>OP&F - Fire</u></i>				
Contractually Required Contribution	\$456,699	\$437,728	\$410,382	\$420,747
Contributions in Relation to the Contractually Required Contribution	<u>(456,699)</u>	<u>(437,728)</u>	<u>(410,382)</u>	<u>(420,747)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,943,400	\$1,862,671	\$1,746,308	\$1,790,413
Contributions as a Percentage of Covered-Employee Payroll	23.50%	23.50%	23.50%	23.50%

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$372,942	\$351,700	\$365,596	\$335,919	\$347,079	\$299,627
<u>(372,942)</u>	<u>(351,700)</u>	<u>(365,596)</u>	<u>(335,919)</u>	<u>(347,079)</u>	<u>(299,627)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,962,851	\$1,851,051	\$1,874,851	\$1,767,995	\$1,826,733	\$1,799,564
19.00%	19.00%	19.50%	19.00%	19.00%	16.65%
\$416,649	\$411,030	\$409,388	\$373,070	\$366,362	\$326,647
<u>(416,649)</u>	<u>(411,030)</u>	<u>(409,388)</u>	<u>(373,070)</u>	<u>(366,362)</u>	<u>(326,647)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,772,975	\$1,749,063	\$1,705,783	\$1,587,533	\$1,558,988	\$1,544,429
23.50%	23.50%	24.00%	23.50%	23.50%	21.15%

City of Athens, Ohio
Required Supplementary Information
Schedule of City Contributions - OPEB
Ohio Police and Fire Pension Fund
Last Ten Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i><u>OP&F - Police</u></i>				
Contractually Required Contribution	\$11,305	\$10,921	\$9,936	\$11,880
Contributions in Relation to the Contractually Required Contribution	<u>(11,305)</u>	<u>(10,921)</u>	<u>(9,936)</u>	<u>(11,880)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$2,261,046	\$2,184,128	\$1,987,236	\$2,376,026
Contributions as a Percentage of Covered-Employee Payroll	0.50%	0.50%	0.50%	0.50%
<i><u>OP&F - Fire</u></i>				
Contractually Required Contribution	\$9,717	\$9,313	\$8,732	\$8,952
Contributions in Relation to the Contractually Required Contribution	<u>(9,717)</u>	<u>(9,313)</u>	<u>(8,732)</u>	<u>(8,952)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,943,400	\$1,862,671	\$1,746,308	\$1,790,413
Contributions as a Percentage of Covered-Employee Payroll	0.50%	0.50%	0.50%	0.50%

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$9,814	\$9,255	\$9,374	\$8,840	\$9,134	\$51,288
<u>(9,814)</u>	<u>(9,255)</u>	<u>(9,374)</u>	<u>(8,840)</u>	<u>(9,134)</u>	<u>(51,288)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,962,851	\$1,851,051	\$1,874,851	\$1,767,995	\$1,826,733	\$1,799,564
0.50%	0.50%	0.50%	0.50%	0.50%	2.85%
\$8,865	\$8,745	\$8,529	\$7,938	\$7,795	\$44,016
<u>(8,865)</u>	<u>(8,745)</u>	<u>(8,529)</u>	<u>(7,938)</u>	<u>(7,795)</u>	<u>(44,016)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,772,975	\$1,749,063	\$1,705,783	\$1,587,533	\$1,558,988	\$1,544,429
0.50%	0.50%	0.50%	0.50%	0.50%	2.85%

CITY OF ATHENS, OHIO
Notes to the Supplementary Information
For the Fiscal Year Ended December 31, 2021

NOTE 1 – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (TRADITIONAL PLAN)

Pension

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2022.

Changes in Assumptions:

2022: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date

- Reduction in actuarial assumed rate of return from 7.20% to 6.90%
- Decrease in wage inflation from 3.25% to 2.75%
- Change in future salary increases from a range of 3.25% - 10.75% to 2.75% to 10.75%

2020-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2019: OPERS Board adopted a change in the investment return assumption, reducing it from 7.50% to 7.20%.

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25% - 10.02% to 3.25% - 10.75%

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

Other Postemployment Benefits

Changes in benefit terms: For 2021-2022, there were no changes in benefit terms.

For 2020, 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.

For 2018-2019, there were no changes in benefit terms.

Changes in assumptions:

For 2022, the municipal bond rate changed from 2.06% to 1.84% and the health care cost trend rate initial amount changed from 8.50% to 5.5%.

CITY OF ATHENS, OHIO
Notes to the Supplementary Information
For the Fiscal Year Ended December 31, 2021

NOTE 1 – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (TRADITIONAL PLAN) - Continued

2021: The following were the most significant changes of assumptions that affected total OPEB liability since the prior measurement date

- The single discount rate increased from 3.16% to 6.00%.
- The municipal bond rate decreased from 2.75% to 2.00%.
- The initial health care cost trend rate decreased from 10.5% to 8.5%.

2020: The following were the most significant changes of assumptions that affected total OPEB liability since the prior measurement date

- The single discount rate decreased from 3.96% to 3.16%.
- The municipal bond rate decreased from 3.71% to 2.75%.
- The initial health care cost trend rate increased from 10.0% to 10.5%.

2019: The following were the most significant changes of assumptions that affected total OPEB liability since the prior measurement date

- The single discount rate increased from 3.85% to 3.96%.
- The investment rate of return decreased from 6.5% to 6%.
- The municipal bond rate increased from 3.31% to 3.71%.
- The initial health care cost trend rate increased from 7.5% to 10%.

For 2018, the single discount rate changed from 4.23% to 3.85%.

NOTE 2 – OHIO POLICE AND FIRE PENSION FUND

Pension

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2021.

Changes in Assumptions:

2022: The only change in assumption was a reduction in actuarial assured rate of return from 8.00% to 7.50%.

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2018: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% - 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

CITY OF ATHENS, OHIO
Notes to the Supplementary Information
For the Fiscal Year Ended December 31, 2021

NOTE 2 - OHIO POLICE AND FIRE PENSION FUND - Continued

Other Postemployment Benefits

Changes in benefit terms:

For 2020-2021, there were no changes in benefit terms.

For 2019, See below regarding change to stipend-based model.

For 2018, there were no changes in benefit terms.

Changes in assumptions:

For 2022, the single discount rate changed from 2.96% to 2.84% and the investment rate of return changed from 8.00% to 7.50%.

For 2021, the single discount rate changed from 3.56% to 2.96%.

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

For 2019: 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. Beginning in 2020, the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5%. The single discount rate increased from 3.24% to 4.66% and the municipal bond rate increased from 3.16% to 4.13%.

For 2018, the single discount rate changed from 3.79% to 3.24%.

CITY OF ATHENS, OHIO
 Required Supplementary Information
 Modified Approach for Infrastructure Assets
 December 31, 2022

	Value of Streets									
	2022	2021	2020	2019	2018	2022	2021	2020	2019	2018
Rating	Value	Value	Value	Value	Value	%	%	%	%	%
Acceptable	\$26,150,997	\$24,303,692	\$22,784,098	\$22,629,364	\$17,517,145	45.65%	41.26%	41.83%	41.83%	33.85%
Moderately Deficient	18,473,994	18,473,994	18,473,994	17,462,809	17,111,464	32.25%	33.45%	32.28%	32.28%	33.07%
Marginally Deficient	11,141,167	11,751,885	12,424,063	12,469,400	13,371,039	19.45%	22.50%	23.05%	23.05%	25.84%
Substantially Deficient	1,516,125	1,540,347	1,540,347	1,540,347	3,747,147	2.65%	2.79%	2.85%	2.85%	7.24%
Severely Deficient	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%
<i>Total</i>	<u>\$57,282,283</u>	<u>\$56,069,918</u>	<u>\$55,222,502</u>	<u>\$54,101,920</u>	<u>\$51,746,795</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

The condition of the City's streets is determined using its Pavement Condition Rating Program. (PCRP). The street condition rating, which is a weighted average of an assessment of the ability of individual components to function structurally, uses a numerical condition scale ranging from 1 (Severely Deficient) to 10 (new). It is the City's policy to keep the value of streets with a condition rating of 1.0 to 2.0 below 5 percent. All streets are inspected every year. The City updated their policy during 2011, to better relate to the City's current ability to perform maintenance and construction work on streets considering the present constraints on the City's financial and work force resources, and the improvement upon the street rating program. The previous years' amounts have been adjusted to the current policy to provide a better comparison in the above table.

Comparison of Budgeted Expenditures vs. Actual Expenditures

Year	Budgeted		Actual		Difference
	Expenditure	Expenditure	Expenditure	Expenditure	
2022	\$2,947,788	\$2,510,219	\$2,510,219	\$437,569	
2021	6,473,327	5,852,014	5,852,014	621,313	
2020	2,309,208	1,864,797	1,864,797	444,411	
2019	3,848,315	3,021,151	3,021,151	827,164	
2018	5,244,894	4,554,500	4,554,500	690,394	

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

To the City Council
City of Athens, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Athens, Ohio ("the City"), as of and for the year ended December 31, 2022, 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 30, 2023, wherein we noted the City's financial statements have been restated for a correction of an error.

Report on 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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item number 2022-001 that we consider to be a material weakness.

Report on 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 grants agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Clark, Schaefer, Hackett & Co.

Columbus, Ohio
June 30, 2023

Section I – Financial Statement Findings

2022-001 Financial Reporting

During the course of our audit, we identified misstatements in the financial statements that were not initially identified by the City's internal control over financial reporting. A deficiency in internal control exists when the design of 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. In this case, the internal controls over the preparation and review of the City's financial statements did not operate as designed. The City contracts with a third-party consultant to prepare its year-end GAAP financial statements and while the City relies on the third-party consultant for, City management is ultimately responsible for internal control over financial reporting.

The following audit adjustments were necessary:

- Entry to record grant funds received in advance but not yet expended as unearned revenue instead of intergovernmental revenue. A restatement to beginning fund balance and net position was also required.
- Entry to increase income tax receivable to agree to 2022 income taxes received in 2023. A restatement to beginning fund balance and net position was also required.
- Entry to record a receivable for payments appropriated by the State of Ohio, but not yet disbursed to the City as of year end. A restatement to net position was also required.
- Entry to reclassify amounts from unrestricted net position to restricted for capital outlay.

We recommend the City enhance its internal controls over financial reporting with steps such as management's review of conversion documentation for completeness and accuracy and improved communication with third-party consultants to ensure the preparation of complete, accurate and reliable financial statements in conformity with generally accepted accounting principles.

Views of Responsible Officials: Management of the City agrees with the audit adjustment and will implement stronger controls over the GAAP financials in the future.

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF ATHENS

ATHENS 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 8/1/2023

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
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