



**CITY OF CORTLAND  
TRUMBULL COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2022 & 2021**



OHIO AUDITOR OF STATE  
KEITH FABER



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City Council  
City of Cortland  
400 North High Street  
Cortland, Ohio 44410

We have reviewed the *Independent Auditor's Report* of the City of Cortland, Trumbull County, prepared by Canter & Associates, for the audit period January 1, 2021 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 Cortland 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

November 03, 2023

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**City of Cortland, Ohio**  
**Trumbull County**  
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## INDEPENDENT AUDITOR'S REPORT

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

To the Members of City Council:

### *Report on the Audit of the Financial Statements*

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cortland (the City), Trumbull County, Ohio as of and for the years ended December 31, 2022 and 2021, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cortland, Trumbull County, Ohio, as of December 31, 2022 and 2021, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Police Levy, Fire Levy, and American Rescue Plan Funds thereof for the year ended December 31, 2022 and, the respective budgetary comparisons for the General, Police Levy, and Fire Levy Funds thereof for the year ended December 31, 2021 in accordance with the 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Cortland, Trumbull County, Cortland, Ohio 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.

#### *Emphasis of Matter*

As discussed in Note 18 (2022) and Note 17 (2021) to the basic financial statements, the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. As discussed in Note 17, during the year the Organization also adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No 87, "Leases". Our opinion was not modified with respect to these matters

***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 for 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 of Cortland'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.

***Auditor's 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 auditor's 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 generally accepted auditing standards 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 of Cortland'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 of Cortland'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 this presentation to include *Management's Discussion and Analysis* and Schedules of Net Pension and Postemployment Benefit Liabilities, Pension and Postemployment Benefit Contributions and Net Pension Asset, listed in the table of contents, to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2023, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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.



**CANTER & ASSOCIATES**

**Poland, Ohio**  
September 26, 2023

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

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The discussion and analysis of the City of Cortland's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2022. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and notes to enhance their understanding of the City's financial performance.

***Financial Highlights***

- The City's net position increased during 2022 due primarily to (1) increases in cash and cash equivalents resulting from total cash revenues outpacing cash expenditures and (2) changes in net pension/OPEB asset/liabilities and the related deferred outflows and inflows associated with these assets and liabilities.
- The City implemented GASB 87 during fiscal year 2022 which resulted in the recording of a lease receivable related to a cell tower agreement with T-Mobile.
- In 2022, capital asset additions consisted of the construction in progress, buildings and improvements, purchase of furniture, fixtures, equipment, and a vehicle.

***Using this Annual Financial Report***

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

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

***The City of Cortland as a Whole***

*Statement of Net Position and the Statement of Activities*

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2022?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

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

***Reporting the City's Most Significant Funds***

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

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

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

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

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

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

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

***The City as a Whole***

As noted earlier, the Statement of Net Position looks at the City as a whole. The following table provides a summary of the City's net position for 2022 compared to 2021.

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

**Table 1**  
*Net Position*

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	Restated 2021	2022	Restated 2021*
<b>Assets</b>						
Current and Other Assets	\$8,604,941	\$7,692,599	\$3,421,988	\$3,157,976	\$12,026,929	\$10,850,575
Net OPEB Asset	75,667	45,074	81,974	48,834	157,641	93,908
Capital Assets, Net	6,560,925	6,349,667	9,471,637	9,774,645	16,032,562	16,124,312
<i>Total Assets</i>	<u>15,241,533</u>	<u>14,087,340</u>	<u>12,975,599</u>	<u>12,981,455</u>	<u>28,217,132</u>	<u>27,068,795</u>
<b>Deferred Outflows of Resources</b>						
Pension	1,356,316	787,708	108,538	64,192	1,464,854	851,900
OPEB	395,662	461,238	212	28,630	395,874	489,584
<i>Total Deferred Outflows of Resources</i>	<u>1,751,978</u>	<u>1,248,946</u>	<u>108,750</u>	<u>92,822</u>	<u>1,860,728</u>	<u>1,341,484</u>
<b>Liabilities</b>						
Current Liabilities	707,438	471,697	72,084	80,497	779,522	552,194
Long-Term Liabilities						
Due Within One Year	177,747	172,129	309,472	305,847	487,219	477,976
Due in More Than One Year						
Net Pension Liability	3,620,040	4,029,870	241,548	431,434	3,861,588	4,461,304
Net OPEB Liability	596,003	564,429	0	0	596,003	564,429
Other Amounts	869,255	945,282	3,256,241	3,550,603	4,125,496	4,495,885
<i>Total Liabilities</i>	<u>\$5,970,483</u>	<u>\$6,183,407</u>	<u>\$3,879,345</u>	<u>\$4,368,381</u>	<u>\$9,849,828</u>	<u>\$10,551,788</u>

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*Management's Discussion and Analysis*  
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**Table 1**  
*Net Position (continued)*

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	Restated 2021	2022	Restated 2021*
<b>Deferred Inflows of Resources</b>						
Property Taxes	\$3,171,461	\$3,132,516	\$0	\$0	\$3,171,461	\$3,132,516
Pension	1,545,045	800,638	325,368	233,038	1,870,413	1,033,676
OPEB	317,939	400,820	98,846	180,576	416,785	581,112
Lease	0	0	589,997	612,591	589,997	612,591
<i>Total Deferred Inflows of Resources</i>	<u>5,034,445</u>	<u>4,333,974</u>	<u>1,014,211</u>	<u>1,026,205</u>	<u>6,048,656</u>	<u>5,359,895</u>
<b>Net Position</b>						
Net Investment in						
Capital Assets	6,379,824	6,153,475	5,959,034	5,974,337	12,338,858	12,127,812
Restricted for:						
Capital Projects	326,480	176,747	0	0	326,480	176,747
Police	154,742	147,007	0	0	154,742	147,007
Fire	810,828	768,368	0	0	810,828	768,368
Street Construction, Maintenance and Repair	871,766	663,408	0	0	871,766	663,408
Other Purposes	398,190	283,919	0	0	398,190	283,919
Unrestricted (Deficit)	(2,953,247)	(3,374,019)	2,231,759	1,705,354	(721,488)	(1,668,665)
<i>Total Net Position</i>	<u>\$5,988,583</u>	<u>\$4,818,905</u>	<u>\$8,190,793</u>	<u>\$7,679,691</u>	<u>\$14,179,376</u>	<u>\$12,498,596</u>

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2022. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension/OPEB asset/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/OPEB asset/liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Total assets for governmental activities increased due mainly to an increase in cash and cash equivalents attributable to higher property tax revenues and unspent American Rescue Plan monies. Current liabilities increased due to unearned revenue related to American Rescue Plan grants received before eligibility requirements were met. Long-term liabilities decreased primarily from the decrease in net pension liability in



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fiscal year 2022. The decrease in net pension liability is attributable to changes into the pension system valuations. Changes in the net pension and net OPEB liabilities and the related deferred outflows and inflows also resulted in increases to net position.

Total assets for business-type activities decreased due to lower net capital assets resulting from current year depreciation. Total liabilities for business-type activities decreased due to a drop in net pension liability and long-term debt obligations.

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

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the year. The following table provides a summary of the City's changes in net position for 2022 compared to 2021.

**Table 2**  
*Change in Net Position*

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$633,155	\$652,647	\$2,187,485	\$2,097,240	\$2,820,640	\$2,749,887
Operating Grants and Contributions	1,080,352	990,762	0	0	1,080,352	990,762
Capital Grants and Contributions	633,298	98,142	47,054	0	680,352	98,142
Total Program Revenues	<u>2,346,805</u>	<u>1,741,551</u>	<u>2,234,539</u>	<u>2,097,240</u>	<u>4,581,344</u>	<u>3,838,791</u>
General Revenues						
Property Taxes	3,112,259	3,104,464	0	0	3,112,259	3,104,464
Local Permissive Taxes	100,834	134,753	0	0	100,834	134,753
Grants and Entitlements	244,665	207,078	0	0	244,665	207,078
Contributions and Donations	800	1,000	0	0	800	1,000
Investment Earnings/Interest	92,264	27,240	1,362	0	93,626	27,240
Gain on Sale of Capital Assets	0	6,012	0	7,718	0	13,730
Other	24,726	72,751	1,153	23,588	25,879	96,339
Total General Revenues	<u>3,575,548</u>	<u>3,553,298</u>	<u>2,515</u>	<u>31,306</u>	<u>3,578,063</u>	<u>3,584,604</u>
<i>Total Revenues</i>	<u>5,922,353</u>	<u>5,294,849</u>	<u>2,237,054</u>	<u>2,128,546</u>	<u>8,159,407</u>	<u>7,423,395</u>
<b>Program Expenses</b>						
General Government	765,708	580,860	0	0	765,708	580,860
Security of Persons and Property	3,362,558	3,222,201	0	0	3,362,558	3,222,201
Public Health and Welfare	23,464	23,237	0	0	23,464	23,237
Leisure Time Activities	22,387	42,908	0	0	22,387	42,908
Community Environment	11,299	14,408	0	0	11,299	14,408
Transportation	510,150	500,787	0	0	510,150	500,787
Basic Utility Services	47,168	45,606	0	0	47,168	45,606
Interest	9,941	13,388	0	0	9,941	13,388
Water	0	0	740,566	682,036	740,566	682,036
Sewer	0	0	985,386	863,791	985,386	863,791
Total Program Expenses	<u>4,752,675</u>	<u>4,443,395</u>	<u>1,725,952</u>	<u>1,545,827</u>	<u>6,478,627</u>	<u>5,989,222</u>
Transfers	0	19,916	0	(19,916)	0	0
Increase (Decrease) in Net Position	<u>1,169,678</u>	<u>871,370</u>	<u>511,102</u>	<u>562,803</u>	<u>1,680,780</u>	<u>1,434,173</u>
Net Position Beginning	<u>4,818,905</u>	<u>3,947,535</u>	<u>7,679,691</u>	<u>7,116,888</u>	<u>12,498,596</u>	<u>11,064,423</u>
Net Position End of Year	<u>\$5,988,583</u>	<u>\$4,818,905</u>	<u>\$8,190,793</u>	<u>\$7,679,691</u>	<u>\$14,179,376</u>	<u>\$12,498,596</u>



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

***Governmental-Type Activities***

For governmental activities, there was an overall increase in program revenues for 2022. Charges for services decreased due to lower charges for ambulance runs. Operating grants went up as a result of a increase in coronavirus relief monies. The increase in capital grants was due to a increase in ODOT grant monies received in 2022. The general revenues slightly increased due to increases in property tax revenues and investment earnings due to a change in economic conditions.

A review of table 2 also shows that program expenses increased overall from 2021 levels as a result of changes in the net pension and net OPEB (asset)/liabilities. Program expenses excluding amounts related to the net pension/OPEB (asset)/liabilities and related payments subsequent increased by \$315,970 due to an increase in police and fire operating costs.

The largest expense for the City in 2022 was security of persons and property for the police and fire departments. The Cortland City Police Department is a full-service law enforcement agency consisting of 11 full-time and 2 part-time police officers. The department offers 24-hour patrol and citizen complaint response, as well as providing additional services such as vacation checks, business and citizen programs, fingerprinting, etc. The Cortland City Fire Department currently operates out of one station house. The department responds to nearly 2,000 emergencies each year. The department is staffed by 10 full-time and approximately 15 part-time employees. The full time daily staff of 3 firefighter/paramedics is supplemented by part time and volunteer crews.

The second largest expense for the City in 2022 was general government. Expenses for general government represent the overhead costs of running the City and the support services provided for the other governmental activities. These include the costs of council, the mayor, administration, law, service and finance.

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

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

	Governmental Activities			
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2022	2021	2022	2021
General Government	\$765,708	\$580,860	(\$504,854)	(\$447,531)
Security of Persons and Property	3,362,558	3,222,201	(2,390,392)	(2,277,379)
Public Health and Welfare	23,464	23,237	(19,496)	(19,304)
Leisure Time Activities	22,387	42,908	(18,601)	(35,645)
Community Environment	11,299	14,408	5,611	(11,969)
Transportation	510,150	500,787	578,523	148,793
Basic Utility Services	47,168	45,606	(46,720)	(45,421)
Interest	9,941	13,388	(9,941)	(13,388)
<b>Total</b>	<b>\$4,752,675</b>	<b>\$4,443,395</b>	<b>(\$2,405,870)</b>	<b>(\$2,701,844)</b>

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

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***Business-Type Activities***

Business-type activities include the City's water and sewer operations. In 2022, charges for services continued to be the major revenue source for business-type activities. On the expense side, the largest expenses are for contractual services and employee payroll and benefits.

***The City's Funds***

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

The City's major governmental funds are the general fund, police levy, fire levy, and American Rescue Plan special revenue funds and the street resurfacing and fire capital improvement fund. Despite an increase in expenditures, the general fund saw an increase in fund balance as a result of revenues continuing to outpace program expenditures. The police levy special revenue fund had an increase in fund balance due to additional monies from the State. The fire levy special revenue fund saw an increase in fund balance, despite an increase in expenditures, due to slightly higher revenues continuing to exceed fire operating costs. The fire capital improvement fund saw an increase in fund balance due to revenues outpacing expenditures resulting in an increase of cash and cash equivalents.

Proprietary funds are accounted for on an accrual basis.

Enterprise funds are handled in the same manner as governmental funds, with the intent to ensure the strength of these funds. These funds had total operating revenue of \$2,188,638 and total operating expenses of \$1,705,917. The City has the power to increase revenue through water and sewer rate increases.

***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. One of the most significant budgeted funds is the general fund. During the course of 2022, the City amended its general fund budget on various occasions. All recommendations for budget changes are presented to the Finance Committee of Council before going to City Council for legislative action to approve the change. Budgetary changes normally consist of requests for capital expenditures as the City of Cortland operates with a legal level of control at the object level for all funds. This allows the City to make small interdepartmental budget modifications within departments. The general fund supports many major activities that include parks and storm sewers, in addition to being the funding source for legislative and administrative activities. The general fund is monitored closely with regard to revenues and related expenditures.

In 2022, actual revenues for the general fund were higher than final estimated revenues due mainly to more grant and tax monies received than anticipated and higher interest earned on investments. There was a decrease in actual expenditures made compared to the final budget. This was due to conservative spending in the City's efforts to maintain a positive fund balance.

***Capital Assets***

For 2022, the primary additions for governmental activities included construction in progress for engineering work for the Mecca Street Resurfacing project, building and improvements, the purchase of a vehicle, furniture, fixtures, and equipment.

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

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Capital asset additions for business-type activities included building and improvements, furniture, fixtures and equipment and infrastructure improvements to sewer lines.

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

***Long-term Obligations***

The City's long-term obligations consist of a financed purchase, OPWC loans, OWDA loans, net pension liability, net OPEB liability and compensated absences. Business-type OPWC loans and OWDA loans are for water infrastructure improvement projects and will be repaid using water revenues. The governmental OPWC loan is for storm sewer improvements and will be repaid from the general fund using storm sewer charges.

GASB 87 establishes lease standards for financed purchased assets as well as leases payable and assets not taken possession of after the lease period concludes. The City of Cortland entered into a direct placement financed purchase for a fire truck which is being paid from the fire capital improvement fund.

The City's overall legal debt margin was \$16,139,709 at December 31, 2022. Additional information concerning debt issuances can be found in Note 10 to the basic financial statements.

**Current Financial Related Activities**

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

**Contacting the City's Finance Department**

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

**City of Cortland, Ohio**  
*Statement of Net Position*  
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,991,617	\$2,201,801	\$6,193,418
Cash and Cash Equivalents			
With Fiscal Agents	589,937	0	589,937
Accounts Receivable	195,278	620,787	816,065
Lease Receivable	0	589,997	589,997
Intergovernmental Receivable	491,207	0	491,207
Local Permissive Taxes Receivable	50,030	0	50,030
Prepaid Items	21,767	9,403	31,170
Property Taxes Receivable	3,265,105	0	3,265,105
Net OPEB Asset (see Note 13)	75,667	81,974	157,641
Nondepreciable Capital Assets	750,984	45,087	796,071
Depreciable Capital Assets, Net	5,809,941	9,426,550	15,236,491
<i>Total Assets</i>	<u>15,241,533</u>	<u>12,975,599</u>	<u>28,217,132</u>
<b>Deferred Outflows of Resources</b>			
Pension	1,356,316	108,538	1,464,854
OPEB	395,662	212	395,874
<i>Total Deferred Outflows of Resources</i>	<u>1,751,978</u>	<u>108,750</u>	<u>1,860,728</u>
<b>Liabilities</b>			
Accounts Payable	9,658	4,653	14,311
Accrued Wages	64,248	13,120	77,368
Intergovernmental Payable	89,138	44,526	133,664
Accrued Interest Payable	9,941	9,785	19,726
Unearned Revenue	534,453	0	534,453
Long-Term Liabilities:			
Due Within One Year	177,747	309,472	487,219
Due In More Than One Year			
Net Pension Liability (See Note 12)	3,620,040	241,548	3,861,588
Net OPEB Liability (See Note 13)	596,003	0	596,003
Other Amounts	869,255	3,256,241	4,125,496
<i>Total Liabilities</i>	<u>5,970,483</u>	<u>3,879,345</u>	<u>9,849,828</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	3,171,461	0	3,171,461
Pension	1,545,045	325,368	1,870,413
OPEB	317,939	98,846	416,785
Lease	0	589,997	589,997
<i>Total Deferred Inflows of Resources</i>	<u>5,034,445</u>	<u>1,014,211</u>	<u>6,048,656</u>
<b>Net Position</b>			
Net Investment in Capital Assets	6,379,824	5,959,034	12,338,858
Restricted for:			
Capital Projects	326,480	0	326,480
Police	154,742	0	154,742
Fire	810,828	0	810,828
Street Construction, Maintenance and Repair	871,766	0	871,766
Other Purposes	398,190	0	398,190
Unrestricted (Deficit)	(2,953,247)	2,231,759	(721,488)
<i>Total Net Position</i>	<u>\$5,988,583</u>	<u>\$8,190,793</u>	<u>\$14,179,376</u>

See accompanying notes to the basic financial statements

**City of Cortland, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2022

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$765,708	\$134,685	\$126,169	\$0
Security of Persons and Property	3,362,558	488,357	477,152	6,657
Public Health and Welfare	23,464	3,968	0	0
Leisure Time Activities	22,387	3,786	0	0
Community Environment	11,299	1,911	14,999	0
Transportation	510,150	0	462,032	626,641
Basic Utility Services	47,168	448	0	0
Interest	9,941	0	0	0
<i>Total Governmental Activities</i>	<u>4,752,675</u>	<u>633,155</u>	<u>1,080,352</u>	<u>633,298</u>
<b>Business-Type Activities:</b>				
Water	740,566	977,546	0	0
Sewer	985,386	1,209,939	0	47,054
<i>Total Business-Type Activities</i>	<u>1,725,952</u>	<u>2,187,485</u>	<u>0</u>	<u>47,054</u>
<i>Total</i>	<u><u>\$6,478,627</u></u>	<u><u>\$2,820,640</u></u>	<u><u>\$1,080,352</u></u>	<u><u>\$680,352</u></u>

**General Revenues**

Property Taxes Levied for:  
General Purposes  
Police Levy  
Fire Levy  
Capital Projects  
Local Permissive Taxes  
Grants and Entitlements not Restricted  
to Specific Programs  
Unrestricted Contributions  
Investment Earnings/Interest  
Other

*Total General Revenues*

Change in Net Position

*Net Position Beginning of Year*

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$504,854)	\$0	(\$504,854)
(2,390,392)	0	(2,390,392)
(19,496)	0	(19,496)
(18,601)	0	(18,601)
5,611	0	5,611
578,523	0	578,523
(46,720)	0	(46,720)
(9,941)	0	(9,941)
<u>(2,405,870)</u>	<u>0</u>	<u>(2,405,870)</u>
0	236,980	236,980
0	271,607	271,607
<u>0</u>	<u>508,587</u>	<u>508,587</u>
<u>(2,405,870)</u>	<u>508,587</u>	<u>(1,897,283)</u>
584,849	0	584,849
1,328,768	0	1,328,768
997,132	0	997,132
201,510	0	201,510
100,834	0	100,834
244,665	0	244,665
800	0	800
92,264	1,362	93,626
24,726	1,153	25,879
<u>3,575,548</u>	<u>2,515</u>	<u>3,578,063</u>
1,169,678	511,102	1,680,780
4,818,905	7,679,691	12,498,596
<u>\$5,988,583</u>	<u>\$8,190,793</u>	<u>\$14,179,376</u>

**City of Cortland, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2022*

	General	Police Levy	Fire Levy	American Rescue Plan	Fire Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$1,211,752	\$221,270	\$778,145	\$534,453	\$236,915	\$1,009,082	\$3,991,617
Cash and Cash Equivalents:							
With Fiscal Agents	0	0	0	0	589,937	0	589,937
Receivables:							
Property Taxes	631,191	1,384,557	1,034,818	0	214,539	0	3,265,105
Local Permissive Taxes	0	0	0	0	0	50,030	50,030
Accounts	16,554	210	178,487	0	0	27	195,278
Intergovernmental Receivable	95,287	84,815	79,477	0	3,261	228,367	491,207
Prepaid Items	8,876	4,434	6,228	0	0	2,229	21,767
<i>Total Assets</i>	<u>\$1,963,660</u>	<u>\$1,695,286</u>	<u>\$2,077,155</u>	<u>\$534,453</u>	<u>\$1,044,652</u>	<u>\$1,289,735</u>	<u>\$8,604,941</u>
<b>Liabilities</b>							
Accounts Payable	\$1,663	\$247	\$2,870	\$0	\$0	\$4,878	\$9,658
Accrued Wages	7,279	28,617	25,544	0	0	2,808	64,248
Intergovernmental Payable	9,379	40,883	36,057	0	0	2,819	89,138
Unearned Revenue	0	0	0	534,453	0	0	534,453
<i>Total Liabilities</i>	<u>18,321</u>	<u>69,747</u>	<u>64,471</u>	<u>534,453</u>	<u>0</u>	<u>10,505</u>	<u>697,497</u>
<b>Deferred Inflows of Resources</b>							
Property Taxes	613,088	1,344,848	1,005,139	0	208,386	0	3,171,461
Unavailable Revenue	103,157	115,074	231,842	0	9,414	232,115	691,602
<i>Total Deferred Inflows of Resources</i>	<u>716,245</u>	<u>1,459,922</u>	<u>1,236,981</u>	<u>0</u>	<u>217,800</u>	<u>232,115</u>	<u>3,863,063</u>
<b>Fund Balances</b>							
Nonspendable	8,876	4,434	6,228	0	0	2,229	21,767
Restricted	0	161,183	769,475	0	826,852	1,043,886	2,801,396
Committed	30,389	0	0	0	0	1,000	31,389
Assigned	1,181,363	0	0	0	0	0	1,181,363
Unassigned	8,466	0	0	0	0	0	8,466
<i>Total Fund Balances</i>	<u>1,229,094</u>	<u>165,617</u>	<u>775,703</u>	<u>0</u>	<u>826,852</u>	<u>1,047,115</u>	<u>4,044,381</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$1,963,660</u>	<u>\$1,695,286</u>	<u>\$2,077,155</u>	<u>\$534,453</u>	<u>\$1,044,652</u>	<u>\$1,289,735</u>	<u>\$8,604,941</u>

See accompanying notes to the basic financial statements

**City of Cortland, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2022*

<b>Total Governmental Fund Balances</b>	<b>\$4,044,381</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,560,925
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent Property Taxes	93,644
Local Permissive Taxes	41,598
Charges for Services	416,306
Intergovernmental	<u>140,054</u>
Total	691,602
In the statement of activities, interest is accrued on outstanding financed purchases, whereas in governmental funds, an interest expenditure is reported when due.	(9,941)
The net OPEB asset, net pension liability and net OPEB liability are not due and payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.	
Net OPEB Asset	75,667
Deferred Outflows - Pension	1,356,316
Deferred Outflows - OPEB	395,662
Net Pension Liability	(3,620,040)
Net OPEB Liability	(596,003)
Deferred Inflows - Pension	(1,545,045)
Deferred Inflows - OPEB	<u>(317,939)</u>
Total	(4,251,382)
Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.	
Financed Purchase	(509,786)
OPWC Loans Payable	(181,101)
Compensated Absences	<u>(356,115)</u>
Total	<u>(1,047,002)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$5,988,583</u></u>

See accompanying notes to the basic financial statements



**City of Cortland, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2022*

	General	Police Levy	Fire Levy	American Rescue Plan	Street Resurfacing	Fire Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>								
Property Taxes	\$588,787	\$1,337,409	\$1,003,574	\$0	\$0	\$202,853	\$0	\$3,132,623
Local Permissive Taxes	0	0	0	0	0	0	114,106	114,106
Charges for Services	71,609	5,231	460,857	0	0	0	0	537,697
Licenses and Permits	78,615	0	0	0	0	0	0	78,615
Fines, Forfeitures and Settlements	1,498	0	0	0	0	0	3,322	4,820
Intergovernmental	243,313	284,963	181,295	126,169	626,641	6,728	502,702	1,971,811
Investment Earnings/Interest	80,185	0	0	0	0	0	12,079	92,264
Contributions and Donations	800	8,250	3,100	0	0	0	0	12,150
Other	19,756	3,018	484	0	0	0	1,468	24,726
<i>Total Revenues</i>	<u>1,084,563</u>	<u>1,638,871</u>	<u>1,649,310</u>	<u>126,169</u>	<u>626,641</u>	<u>209,581</u>	<u>633,677</u>	<u>5,968,812</u>
<b>Expenditures</b>								
Current:								
General Government	771,445	0	0	74,673	0	0	0	846,118
Security of Persons and Property	58,819	1,620,634	1,601,215	0	0	3,129	205	3,284,002
Public Health Services	23,464	0	0	0	0	0	0	23,464
Leisure Time Activities	22,387	0	0	0	0	0	0	22,387
Community Environment	11,299	0	0	0	0	0	0	11,299
Transportation	0	0	0	0	0	0	272,954	272,954
Basic Utility Services	2,652	0	0	0	0	0	0	2,652
Capital Outlay	0	0	0	51,496	626,641	44,600	0	722,737
Debt Service:								
Principal Retirement	15,091	0	0	0	0	80,151	0	95,242
Interest	0	0	0	0	0	10,705	0	10,705
<i>Total Expenditures</i>	<u>905,157</u>	<u>1,620,634</u>	<u>1,601,215</u>	<u>126,169</u>	<u>626,641</u>	<u>138,585</u>	<u>273,159</u>	<u>5,291,560</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	179,406	18,237	48,095	0	0	70,996	360,518	677,252
<b>Other Financing Sources (Uses)</b>								
Sale of Capital Assets	0	6,099	0	0	0	0	0	6,099
<i>Net Change in Fund Balance</i>	179,406	24,336	48,095	0	0	70,996	360,518	683,351
<i>Fund Balances Beginning of Year</i>	1,049,688	141,281	727,608	0	0	755,856	686,597	3,361,030
<i>Fund Balances End of Year</i>	<u>\$1,229,094</u>	<u>\$165,617</u>	<u>\$775,703</u>	<u>\$0</u>	<u>\$0</u>	<u>\$826,852</u>	<u>\$1,047,115</u>	<u>\$4,044,381</u>

See accompanying notes to the basic financial statements

**City of Cortland, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2022*

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**Net Change in Fund Balances - Total Governmental Funds** \$683,351

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

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

Capital Asset Additions	785,972	
Current Year Depreciation	(566,910)	
Total		219,062

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. (7,804)

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

Delinquent Property Taxes	(20,364)	
Local Permissive Taxes	(13,272)	
Charges for Services	12,023	
Intergovernmental	(24,846)	
Total		(46,459)

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

Pension	382,178	
OPEB	7,824	
Total		390,002

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

Pension	(148,147)	
OPEB	8,500	
Total		(139,647)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 95,242

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (24,833)

In the statement of activities, interest is accrued on outstanding financed purchases, whereas in governmental funds, an interest expenditure is reported when due. 764

*Change in Net Position of Governmental Activities* \$1,169,678

See accompanying notes to the basic financial statements

**City of Cortland, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2022*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$587,019	\$587,019	\$588,787	\$1,768
Charges for Services	63,600	63,600	71,357	7,757
Licenses and Permits	76,400	76,400	78,615	2,215
Fines, Forfeitures and Settlements	3,000	3,000	1,396	(1,604)
Intergovernmental	144,284	144,284	243,028	98,744
Investment Earnings/Interest	3,600	3,600	80,185	76,585
Contributions and Donations	0	0	800	800
Other	94,171	92,971	19,365	(73,606)
<i>Total Revenues</i>	<u>972,074</u>	<u>970,874</u>	<u>1,083,533</u>	<u>112,659</u>
<b>Expenditures</b>				
Current:				
General Government	1,278,500	1,278,500	794,371	484,129
Security of Persons and Property	145,101	143,100	58,819	84,281
Public Health Services	25,568	25,568	23,464	2,104
Leisure Time Activities	160,931	160,931	22,521	138,410
Community Environment	75,050	75,050	11,339	63,711
Basic Utility Services	156,621	156,621	13,510	143,111
Debt Service:				
Principal Retirement	15,100	15,100	15,091	9
<i>Total Expenditures</i>	<u>1,856,871</u>	<u>1,854,870</u>	<u>939,115</u>	<u>915,755</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(884,797)</u>	<u>(883,996)</u>	<u>144,418</u>	<u>1,028,414</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	0	150,000	150,000
Advances Out	(150,000)	0	(150,000)	(150,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(150,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,034,797)	(883,996)	144,418	1,028,414
<i>Fund Balance Beginning of Year</i>	<u>1,034,797</u>	<u>1,034,797</u>	<u>1,034,797</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$150,801</u></u>	<u><u>\$1,179,215</u></u>	<u><u>\$1,028,414</u></u>

See accompanying notes to the basic financial statements

**City of Cortland, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Police Levy Fund*  
*For the Year Ended December 31, 2022*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$1,319,349	\$1,319,349	\$1,337,409	\$18,060
Charges for Services	0	0	5,231	5,231
Intergovernmental	251,000	251,000	275,513	24,513
Contributions and Donations	0	0	8,250	8,250
Other	0	0	2,926	2,926
<i>Total Revenues</i>	<u>1,570,349</u>	<u>1,570,349</u>	<u>1,629,329</u>	<u>58,980</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	1,754,439	1,754,439	1,606,290	148,149
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(184,090)</u>	<u>(184,090)</u>	<u>23,039</u>	<u>207,129</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	0	6,099	6,099
Advances In	0	0	150,000	150,000
Advances Out	0	0	(150,000)	(150,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>6,099</u>	<u>6,099</u>
<i>Net Change in Fund Balance</i>	(184,090)	(184,090)	29,138	213,228
<i>Fund Balance Beginning of Year</i>	<u>184,090</u>	<u>184,090</u>	<u>184,090</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$213,228</u>	<u>\$213,228</u>

See accompanying notes to the basic financial statements

**City of Cortland, Ohio**  
*Statement of Revenues, Expenditures and Changes  
 In Fund Balance - Budget (Non-GAAP Basis) and Actual  
 Fire Levy Fund  
 For the Year Ended December 31, 2022*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,035,709	\$1,035,709	\$1,003,574	(\$32,135)
Charges for Services	300,000	300,000	465,777	165,777
Intergovernmental	118,000	118,000	163,927	45,927
Contributions and Donations	40,000	40,000	3,100	(36,900)
Other	2,000	2,000	486	(1,514)
<i>Total Revenues</i>	1,495,709	1,495,709	1,636,864	141,155
<b>Expenditures</b>				
Current:				
Security of Persons and Property	2,215,770	2,215,770	1,585,276	630,494
<i>Net Change in Fund Balance</i>	(720,061)	(720,061)	51,588	771,649
<i>Fund Balance Beginning of Year</i>	720,061	720,061	720,061	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$771,649	\$771,649

See accompanying notes to the basic financial statements

**City of Cortland, Ohio**  
*Statement of Revenues, Expenditures and Changes  
 In Fund Balance - Budget (Non-GAAP Basis) and Actual  
 American Rescue Plan  
 For the Year Ended December 31, 2022*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$350,000	\$350,000	\$310,254	(\$39,746)
<b>Expenditures</b>				
Current:				
General Government	700,368	700,368	126,169	574,199
<i>Net Change in Fund Balance</i>	(350,368)	(350,368)	184,085	534,453
<i>Fund Balance Beginning of Year</i>	350,368	350,368	350,368	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$534,453</u>	<u>\$534,453</u>

See accompanying notes to the basic financial statements

**City of Cortland, Ohio**  
*Statement of Fund Net Position*  
*Enterprise Funds*  
*December 31, 2022*

	Water	Sewer	Total
<b>Assets</b>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$749,591	\$1,452,210	\$2,201,801
Accounts Receivable	262,781	358,006	620,787
Lease Receivable	589,997	0	589,997
Prepaid Items	6,884	2,519	9,403
<i>Total Current Assets</i>	<u>1,609,253</u>	<u>1,812,735</u>	<u>3,421,988</u>
<i>Noncurrent Assets:</i>			
<i>Restricted Assets:</i>			
Net OPEB Asset	40,987	40,987	81,974
Nondepreciable Capital Assets	44,400	687	45,087
Depreciable Capital Assets, Net	6,191,684	3,234,866	9,426,550
<i>Total Noncurrent Assets</i>	<u>6,277,071</u>	<u>3,276,540</u>	<u>9,553,611</u>
<i>Total Assets</i>	<u>7,886,324</u>	<u>5,089,275</u>	<u>12,975,599</u>
<b>Deferred Outflows of Resources</b>			
Pension	54,269	54,269	108,538
OPEB	106	106	212
<i>Total Deferred Outflows of Resources</i>	<u>54,375</u>	<u>54,375</u>	<u>108,750</u>
<b>Liabilities</b>			
<i>Current Liabilities:</i>			
Accounts Payable	3,651	1,002	4,653
Accrued Wages	6,587	6,533	13,120
Intergovernmental Payable	7,240	37,286	44,526
Accrued Interest Payable	9,785	0	9,785
Compensated Absences Payable	9,891	9,891	19,782
OPWC Loans Payable	226,063	0	226,063
OWDA Loans Payable	63,627	0	63,627
<i>Total Current Liabilities</i>	<u>326,844</u>	<u>54,712</u>	<u>381,556</u>
<i>Long-Term Liabilities:</i>			
Compensated Absences Payable	16,664	16,664	33,328
OPWC Loans Payable	2,634,174	0	2,634,174
OWDA Loans Payable	588,739	0	588,739
Net Pension Liability	120,774	120,774	241,548
<i>Total Long-Term Liabilities</i>	<u>3,360,351</u>	<u>137,438</u>	<u>3,497,789</u>
<i>Total Liabilities</i>	<u>3,687,195</u>	<u>192,150</u>	<u>3,879,345</u>
<b>Deferred Inflows of Resources</b>			
Pension	162,684	162,684	325,368
OPEB	49,423	49,423	98,846
Lease	589,997	0	589,997
<i>Total Deferred Inflows of Resources</i>	<u>802,104</u>	<u>212,107</u>	<u>1,014,211</u>
<b>Net Position</b>			
Net Investment in Capital Assets	2,723,481	3,235,553	5,959,034
Unrestricted	727,919	1,503,840	2,231,759
<i>Total Net Position</i>	<u>\$3,451,400</u>	<u>\$4,739,393</u>	<u>\$8,190,793</u>

See accompanying notes to the basic financial statements

**City of Cortland, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Enterprise Funds  
For the Year Ended December 31, 2022*

	Water	Sewer	Total
<b>Operating Revenues</b>			
Charges for Services	\$947,477	\$1,206,969	\$2,154,446
Tap-In Fees	7,475	2,970	10,445
Lease Revenue	22,594	0	22,594
Other	427	726	1,153
<i>Total Operating Revenues</i>	<u>977,973</u>	<u>1,210,665</u>	<u>2,188,638</u>
<b>Operating Expenses</b>			
Personal Services	331,113	341,279	672,392
Materials and Supplies	62,135	24,406	86,541
Contractual Services	116,220	441,478	557,698
Depreciation	211,063	178,223	389,286
<i>Total Operating Expenses</i>	<u>720,531</u>	<u>985,386</u>	<u>1,705,917</u>
<i>Operating Income (Loss)</i>	<u>257,442</u>	<u>225,279</u>	<u>482,721</u>
<b>Non-Operating Revenues (Expenses)</b>			
Investment Earnings/Interest	1,362	0	1,362
Interest	(20,035)	0	(20,035)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(18,673)</u>	<u>0</u>	<u>(18,673)</u>
<i>Income (Loss) before Capital Contributions</i>	238,769	225,279	464,048
Capital Contributions	0	47,054	47,054
<i>Change in Net Position</i>	238,769	272,333	511,102
<i>Net Position Beginning of Year</i>	<u>3,212,631</u>	<u>4,467,060</u>	<u>7,679,691</u>
<i>Net Position End of Year</i>	<u><u>\$3,451,400</u></u>	<u><u>\$4,739,393</u></u>	<u><u>\$8,190,793</u></u>

See accompanying notes to the basic financial statements



**City of Cortland, Ohio**  
*Statement of Cash Flows*  
*Enterprise Funds*  
For the Year Ended December 31, 2022

	Water	Sewer	Total
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$920,792	\$1,152,676	\$2,073,468
Tap In Fees	7,475	2,970	10,445
Lease Revenue	22,594	0	22,594
Other Operating Revenues	2,388	730	3,118
Cash Payments to Suppliers for Materials and Supplies	(62,053)	(24,324)	(86,377)
Cash Payments for Employee Services and Benefits	(445,623)	(456,330)	(901,953)
Cash Payments for Contractual Services	(119,800)	(448,079)	(567,879)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>325,773</u>	<u>227,643</u>	<u>553,416</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	(30,234)	(56,044)	(86,278)
Capital Contributions	0	47,054	47,054
Principal Paid on OPWC Loans	(226,066)	0	(226,066)
Principal Paid on OWDA Loans	(61,639)	0	(61,639)
Interest Paid on OWDA Loans	(20,960)	0	(20,960)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(338,899)</u>	<u>(8,990)</u>	<u>(347,889)</u>
<b>Cash Flows from Investing Activities</b>			
Investment Earnings/Interest	1,362	0	1,362
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(11,764)	218,653	206,889
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>761,355</u>	<u>1,233,557</u>	<u>1,994,912</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$749,591</u>	<u>\$1,452,210</u>	<u>\$2,201,801</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>			
Operating Income (Loss)	\$257,442	\$225,279	\$482,721
Adjustments:			
Depreciation	211,063	178,223	389,286
(Increase) Decrease in Assets and Deferred Outflows:			
Accounts Receivable	(24,724)	(54,289)	(79,013)
Lease Receivable	22,594	0	22,594
Prepaid Items	(372)	(332)	(704)
Net OPEB Asset	595	595	1,190
Deferred Outflow - Pension	38,247	38,247	76,494
Deferred Outflow - OPEB	17,607	17,607	35,214
Increase (Decrease) in Liabilities and Deferred Inflows:			
Accounts Payable	(3,126)	(626)	(3,752)
Accrued Wages	(2,722)	(2,886)	(5,608)
Intergovernmental Payable	3,905	(2,033)	1,872
Compensated Absences Payable	(1,516)	(1,516)	(3,032)
Net Pension Liability	(6,939)	(6,939)	(13,878)
Deferred Inflows - Pension	(102,259)	(102,259)	(204,518)
Deferred Inflows - OPEB	(61,428)	(61,428)	(122,856)
Deferred Inflows - Lease	(22,594)	0	(22,594)
<i>Total Adjustments</i>	<u>68,331</u>	<u>2,364</u>	<u>70,695</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$325,773</u>	<u>\$227,643</u>	<u>\$553,416</u>

See accompanying notes to the basic financial statements

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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**Note 1 - Reporting Entity**

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

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

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

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

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

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

**Note 2 - Summary of Significant Accounting Policies**

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

***Basis of Presentation***

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

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

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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

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

***Fund Accounting***

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

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

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

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

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

***American Rescue Plan Fund*** The American rescue plan special revenue fund is used to account for and report restricted federal grant monies used to assist local governments with the coronavirus pandemic.

***Street Resurfacing Fund*** The street resurfacing capital projects fund is used to account for and report grant monies restricted for various street resurfacing projects within the City.

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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***Fire Capital Improvement Fund*** The fire capital improvement capital projects fund is used to account for and report restricted property taxes for fire capital purchases.

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

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

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

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

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

***Measurement Focus***

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

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

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

***Basis of Accounting***

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

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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

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

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net 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 are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 12 and 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB, leases and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2022, but which were levied to finance 2023 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. The deferred inflow for leases is related to leases receivable and is being recognized as lease revenue in a systematic and rational manner over the term of the lease. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, local permissive taxes, charges for services and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13)

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

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



**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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***Pensions/Other Postemployment Benefits (OPEB)***

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

***Cash and Cash Equivalents***

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

The City also has a bank account for monies held from the City's central bank account related to the unreleased lease proceeds for the fire truck financed purchase. The balance in this account is presented on the financial statements as "cash and cash equivalents with fiscal agents".

Investment procedures are restricted by the provisions of the Ohio Revised Code. Investment earning/interest revenue credited to the general fund during 2022 amounted to \$80,185 which includes \$62,133 assigned from other City funds.

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

***Prepaid Items***

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

***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions. Restricted assets in the enterprise funds represent amounts held in trust by the OPEB plans for future benefits.

***Capital Assets***

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

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

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

Description	Governmental Activities Estimated Lives	Business Type Activities Estimated Lives
Buildings and Improvements	20 - 50 years	50 years
Furniture, Fixtures and Equipment	5 - 20 years	5 - 20 years
Vehicles	5 - 20 years	5 - 20 years
Infrastructure:		
Roads	10 years	n/a
Storm Sewers	50 years	n/a
Sidewalks	40 years	n/a
Curbs	50 years	n/a
Water and Sewer Lines	n/a	30 - 50 years

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

***Compensated Absences***

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

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

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

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

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

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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***Lease***

The City serves as lessor in a noncancellable lease. This lease is accounted for as follows:

***Lessor*** At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

***Fund Balance***

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

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

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

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

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

***Assigned:*** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance or by State Statute. State statute authorizes the Finance Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenues and appropriations in 2023’s budget.



**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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***Unassigned:*** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

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

***Net Position***

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

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

***Operating Revenues and Expenses***

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

***Unearned Revenue***

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The City recognizes unearned revenue for intergovernmental revenue from grants received before the eligibility requirements are met.

***Contributions of Capital***

Contributions of capital in proprietary fund financial statements arise from outside contributions of resources restricted to capital acquisition and construction.

***Estimates***

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

***Budgetary Process***

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on

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

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

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

***OneOhio Opioid Settlement Monies***

During 2021, Ohio reached an agreement with the three largest distributors of opioids. Although the settlement has been reached, uncertainties remain related to measurement. As a participating subdivision, the City received the first of eighteen distributions in 2022. This distribution of \$3,022 is reflected as fines, forfeitures and settlements revenue in the OneOhio Special Revenue Fund in the accompanying financial statements.

**Note 3 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures for all funds (budget) rather than restricted, committed, or assigned fund balance (GAAP).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

	General	Police Levy	Fire Levy	American Rescue Plan
GAAP Basis	\$179,406	\$24,336	\$48,095	\$0
Net Adjustments for Revenue Accruals	(1,030)	(9,542)	(12,446)	184,085
Advances In	150,000	150,000	0	0
Net Adjustments for Expenditure Accruals	(1,421)	22,386	22,435	0
Advances Out	(150,000)	(150,000)	0	0
Encumbrances	(32,537)	(8,042)	(6,496)	0
Budget Basis	<u>\$144,418</u>	<u>\$29,138</u>	<u>\$51,588</u>	<u>\$184,085</u>

**Note 4 - Fund Balances**

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

Fund Balances	General	Police Levy	Fire Levy	Fire Capital Improvement	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>						
Prepays	\$8,876	\$4,434	\$6,228	\$0	\$2,229	\$21,767
<b><i>Restricted for</i></b>						
Public Safety	0	161,183	769,475	0	406	931,064
Street Maintenance	0	0	0	0	784,783	784,783
Community Improvement	0	0	0	0	240,676	240,676
Children's Health Insurance	0	0	0	0	14,999	14,999
Opioid Settlement	0	0	0	0	3,022	3,022
Capital Improvements	0	0	0	826,852	0	826,852
<b><i>Total Restricted</i></b>	<u>0</u>	<u>161,183</u>	<u>769,475</u>	<u>826,852</u>	<u>1,043,886</u>	<u>2,801,396</u>
<b><i>Committed to</i></b>						
Contract Services	30,389	0	0	0	0	30,389
Capital Improvements	0	0	0	0	1,000	1,000
<b><i>Total Committed</i></b>	<u>30,389</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,000</u>	<u>31,389</u>
<b><i>Assigned to</i></b>						
2023 Operations	1,179,215	0	0	0	0	1,179,215
Purchases on Order:						
General Government	2,148	0	0	0	0	2,148
<b><i>Total Assigned</i></b>	<u>1,181,363</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,181,363</u>
<b><i>Unassigned</i></b>	<u>8,466</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,466</u>
<b><i>Total Fund Balances</i></b>	<u>\$1,229,094</u>	<u>\$165,617</u>	<u>\$775,703</u>	<u>\$826,852</u>	<u>\$1,047,115</u>	<u>\$4,044,381</u>

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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**Note 5 - Deposits**

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

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

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

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

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

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

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

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
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8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

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

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

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

**Note 6 - Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2022 for real and public utility property taxes represents collections of 2021 taxes.

2022 real property taxes were levied after October 1, 2022, on the assessed value as of January 1, 2022, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2022 real property taxes are collected in and intended to finance 2023.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2022 public utility property taxes which became a lien December 31, 2021, are levied after October 1, 2022, and are collected in 2023 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2022, was \$25.16 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2022 property tax receipts were based are as follows:

Real Property	\$152,293,420
Public Utility Personal Property	3,142,870
Total	<u><u>\$155,436,290</u></u>

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The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2022, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2022 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

**Note 7 - Receivables**

Receivables at December 31, 2022, primarily consisted of taxes, accounts (billings for user charged services including unbilled utility services) and intergovernmental receivables arising from grants, entitlements, shared revenues and leases.

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

A summary of the principal items of intergovernmental receivables follows:

	Amount
Gasoline Tax	\$202,444
Homestead and Rollback	171,004
Local Government	64,863
Auto License	25,923
Human Trafficking Grant	17,368
Office of Criminal Justice Services Grant	9,450
Trumbull County Central District Court	155
Total	\$491,207

***Lease Receivable***

The City is reporting leases receivable of \$589,997 in the water enterprise fund at December 31, 2022. This amount represents the discounted future lease payments. This discount is being amortized using the interest method. For 2022, the City recognized lease revenue of \$22,594 and interest revenue of \$1,362 in the water enterprise fund related to lease payments received. A description of the City’s leasing arrangements is as follows:

*Cell Tower Lease* – The City has entered into a lease agreement for a cell tower with T-Mobile. The lease commenced on May 1, 2012, for a period of thirty-five years and 9 months ending January 31, 2048. Payments are received on a monthly basis.

**City of Cortland, Ohio**  
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A summary of future lease revenue is as follows:

Year	Water	
	Principal	Interest
2023	\$17,201	\$1,315
2024	16,723	1,277
2025	16,761	1,239
2026	16,799	1,201
2027	16,837	1,163
2028-2032	98,104	5,171
2033-2037	114,796	3,970
2038-2042	134,015	2,567
2043-2047	156,138	930
2048	2,623	0
	\$589,997	\$18,833

**Note 8 - Contingencies**

***Grants***

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2022.

***Litigation***

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

**Note 9 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2022, the City contracted with several companies for various types of insurance as follows:

Public Entities Pool of Ohio	Commercial Automobile	\$2,000,000
	Public Officials Liability	2,000,000
	Commercial Property	10,101,384
	Inland Marine	1,564,410
	Employee Dishonesty	10,000
	Forgery	10,000
	Theft, Disappearance and Destruction:	10,000
Cincinnati Insurance Company	Bonds - Employees and Officials	25,000



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

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

**Note 10 - Long-term Obligations**

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

Debt Issue	Interest Rate	Original Issue Amount	Year of Maturity
<b>Business-Type Activities</b>			
<i>Ohio Public Works Commission Loans</i>			
<i>from Direct Borrowings:</i>			
Southern Waterline - 2007	0%	328,900	2028
North High Street II Waterline - 2009	0%	482,800	2030
Willow Park Tank Replacement - 2009	0%	878,000	2032
North Wellfield Interconnect - 2011	0%	264,768	2032
Downtown Waterline Replacement - 2013	0%	417,800	2034
Downtown Waterline Replacement Phase II - 2014	0%	407,996	2036
Downtown Waterline Replacement Phase III - 2015	0%	325,759	2037
South Mecca Waterline Replacement - 2016	0%	599,756	2039
North Mecca Waterline Replacement - 2019	0%	570,672	2041
Cedar Drive Waterline Replacement - 2019	0%	244,850	2040
<i>Ohio Water Development Authority Loan</i>			
<i>from Direct Borrowings:</i>			
Water Storage Tank - 2010	3.20%	1,233,794	2031
<b>Governmental Activities</b>			
<i>Ohio Public Works Commission Loans</i>			
<i>from Direct Borrowings:</i>			
South Colonial Storm Sewer - 2014	0%	301,835	2034
<i>Financed Purchases</i>			
<i>from Direct Borrowings:</i>			
Fire Truck - 2021	1.95%	589,937	2028



**City of Cortland, Ohio**  
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Changes in long-term obligations of the City during 2022 were as follows:

	Outstanding 12/31/2021	Additions	Reductions	Outstanding 12/31/2022	Due Within One Year
<b>Business Type Activities</b>					
<b>OPWC Loans from Direct Borrowings</b>					
Southern Waterline	\$106,892	\$0	\$16,445	\$90,447	\$16,445
North High Street II Waterline	217,260	0	24,140	193,120	24,140
Willow Park Tank Replacement	482,900	0	43,900	439,000	43,900
North Wellfield Interconnect	145,623	0	13,239	132,384	13,238
Downtown Waterline Replacement	271,570	0	20,890	250,680	20,890
Downtown Waterline Replacement Phase II	295,797	0	20,400	275,397	20,400
Downtown Waterline Replacement Phase III	252,463	0	16,288	236,175	16,288
South Mecca Waterline Replacement	524,786	0	29,988	494,798	29,987
North Mecca Waterline Replacement	556,405	0	28,534	527,871	28,533
Cedar Drive Waterline Replacement	232,607	0	12,242	220,365	12,242
<i>Total OPWC Loans</i>	<u>3,086,303</u>	<u>0</u>	<u>226,066</u>	<u>2,860,237</u>	<u>226,063</u>
<b>OWDA Loans from Direct Borrowings</b>					
Water Storage Tank	714,005	0	61,639	652,366	63,627
<b>Other Long-Term Liabilities</b>					
Net Pension Liability OPERS:					
Water	215,717	0	94,943	120,774	0
Sewer	215,717	0	94,943	120,774	0
<i>Total Net Pension Liability</i>	<u>431,434</u>	<u>0</u>	<u>189,886</u>	<u>241,548</u>	<u>0</u>
Compensated Absences	56,142	15,110	18,142	53,110	19,782
<i>Total Business Type Activities</i>	<u>\$4,287,884</u>	<u>\$15,110</u>	<u>\$495,733</u>	<u>\$3,807,261</u>	<u>\$309,472</u>
<b>Governmental Type Activities</b>					
<b>OPWC Loans from Direct Borrowings</b>					
South Colonial Storm Sewer	\$196,192	\$0	\$15,091	\$181,101	\$15,092
<b>Net Pension Liability</b>					
OPERS	398,249	0	175,282	222,967	0
OP&F	3,631,621	0	234,548	3,397,073	0
<i>Total Net Pension Liability</i>	<u>4,029,870</u>	<u>0</u>	<u>409,830</u>	<u>3,620,040</u>	<u>0</u>
<b>Net OPEB Liability</b>					
OP&F	564,429	31,574	0	596,003	0
<b>Other Long-Term Liabilities</b>					
Financed Purchase from Direct Borrowings	589,937	0	80,151	509,786	80,916
Compensated Absences	331,282	101,719	76,886	356,115	81,739
<i>Total Governmental Type Activities</i>	<u>\$5,711,710</u>	<u>\$133,293</u>	<u>\$581,958</u>	<u>\$5,263,045</u>	<u>\$177,747</u>

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

**City of Cortland, Ohio**  
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The City's outstanding OPWC loans from direct borrowings of \$2,860,237 related to business-type activities and \$181,101 related to governmental activities contain provisions that in the event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

The City's outstanding OWDA loans from direct borrowings of \$652,366 related to business-type activities contain provisions that in the event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

**Financed Purchase** – In 2021, the City entered into a financed purchase agreement for a fire truck in the amount of \$589,937 to be paid from the fire capital improvement fund.

The City's overall legal debt margin was \$16,139,709 at December 31, 2022. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2022, are as follows:

*Business Type Activities*

Year	From Direct Borrowings		
	OPWC Loans	OWDA Loan	
	Principal	Principal	Interest
2023	\$226,063	\$63,627	\$19,097
2024	226,066	65,679	17,173
2025	226,066	67,798	15,187
2026	226,067	69,985	13,137
2027	226,066	72,242	11,021
2028-2032	1,008,046	313,035	21,521
2033-2037	540,289	0	0
2038-2041	181,574	0	0
Total	\$2,860,237	\$652,366	\$97,136

*Governmental Activities*

Year	From Direct Borrowings		
	OPWC Loans	Financed Purchase	
	Principal	Principal	Interest
2023	\$15,092	\$80,916	\$9,941
2024	15,092	82,493	8,363
2025	15,092	84,102	6,754
2026	15,092	85,742	5,114
2027	15,092	87,414	3,442
2028-2032	75,459	89,119	1,738
2033-2034	30,182	0	0
Total	\$181,101	\$509,786	\$35,352

**City of Cortland, Ohio**  
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**Note 11 - Capital Assets**

Capital asset activity for the year ended December 31, 2022, was as follows:

	Balance 12/31/21	Additions	Reductions	Balance 12/31/22
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$17,576	\$0	\$0	\$17,576
Construction in progress	88,411	644,997	0	733,408
Total capital assets not being depreciated	<u>105,987</u>	<u>644,997</u>	<u>0</u>	<u>750,984</u>
Capital assets being depreciated				
Buildings and Improvements	1,190,286	64,600	(15,194)	1,239,692
Furniture, Fixtures and Equipment	1,248,171	24,879	(4,360)	1,268,690
Vehicles	1,761,760	51,496	(21,582)	1,791,674
Infrastructure:				
Roads	4,883,705	0	0	4,883,705
Storm Sewers	2,211,693	0	0	2,211,693
Sidewalks	1,054,282	0	0	1,054,282
Curbs	829,353	0	0	829,353
Total capital assets being depreciated	<u>13,179,250</u>	<u>140,975</u>	<u>(41,136)</u>	<u>13,279,089</u>
Accumulated depreciation				
Buildings and Improvements	(745,989)	(29,765)	15,194	(760,560)
Furniture, Fixtures and Equipment	(765,876)	(70,583)	872	(835,587)
Vehicles	(1,102,879)	(98,579)	17,266	(1,184,192)
Infrastructure:				
Roads	(3,413,346)	(280,805)	0	(3,694,151)
Storm Sewers	(485,456)	(44,234)	0	(529,690)
Sidewalks	(235,189)	(26,357)	0	(261,546)
Curbs	(186,835)	(16,587)	0	(203,422)
Total accumulated depreciation	<u>(6,935,570)</u>	<u>(566,910) *</u>	<u>33,332</u>	<u>(7,469,148)</u>
Capital assets being depreciated, net	<u>6,243,680</u>	<u>(425,935)</u>	<u>(7,804)</u>	<u>5,809,941</u>
Governmental activities capital assets, net	<u>\$6,349,667</u>	<u>\$219,062</u>	<u>(\$7,804)</u>	<u>\$6,560,925</u>

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

General Government	\$79,556
Security of Persons and Property	136,952
Transportation	305,886
Basic Utility Services	<u>44,516</u>
Total	<u>\$566,910</u>

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	Balance 12/31/21	Additions	Reductions	Balance 12/31/22
Business type Activities:				
Capital assets not being depreciated				
Land	\$45,087	\$0	\$0	\$45,087
Capital assets being depreciated				
Building and Improvements	0	21,244	0	21,244
Furniture, Fixtures and Equipment	285,420	17,980	0	303,400
Vehicles	420,233	0	0	420,233
Infrastructure:				
Water Lines	10,270,213	0	0	10,270,213
Sewer Lines	9,149,575	47,054	0	9,196,629
Total capital assets being depreciated	20,125,441	86,278	0	20,211,719
Accumulated depreciation				
Building and Improvements	0	(425)	0	(425)
Furniture, Fixtures and Equipment	(207,723)	(14,246)	0	(221,969)
Vehicles	(303,659)	(16,149)	0	(319,808)
Infrastructure:				
Water Lines	(3,985,135)	(195,990)	0	(4,181,125)
Sewer Lines	(5,899,366)	(162,476)	0	(6,061,842)
Total accumulated depreciation	(10,395,883)	(389,286)	0	(10,785,169)
Capital assets being depreciated, net	9,729,558	(303,008)	0	9,426,550
Business type Activities capital assets, net	\$9,774,645	(\$303,008)	\$0	\$9,471,637

**Note 12 – Defined Benefit Pension Plans**

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

***Net Pension Liability /Net OPEB Liability (Asset)***

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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Effective January 1, 2022, the Combined Plan is no longer available for member selection.

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

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

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

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

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

For 2022, the City’s contractually required contribution was \$126,959 for the traditional plan, \$0 for the combined plan and \$1,020 for the member-directed plan. Of these amounts, \$24,818 is reported as an intergovernmental payable for the traditional plan, \$0 for the combined plan, and \$64 for the member-directed plan.

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

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

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

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

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

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

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0 percent or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

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

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



**City of Cortland, Ohio**  
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Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$321,237 for 2022. Of this amount, \$62,745 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. OP&F'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 of the City's defined benefit pension plans:

	OPERS		
	<u>Traditional Plan</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.005339%	0.0543756%	
Prior Measurement Date	<u>0.005603%</u>	<u>0.0532723%</u>	
Change in Proportionate Share	<u>-0.000264%</u>	<u>0.0011033%</u>	
Proportionate Share of the:			
Net Pension Liability	\$464,515	\$3,397,073	\$3,861,588
Pension Expense	(145,930)	218,193	72,263

2022 pension expense for the member-directed defined contribution plan was \$1,020. The aggregate pension expense for all pension plans was \$73,283 for 2022.

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

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	OPERS		Total
	Traditional Plan	OP&F	
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$23,680	\$97,951	\$121,631
Changes of assumptions	58,087	620,839	678,926
Changes in proportion and differences between City contributions and proportionate share of contributions	0	216,101	216,101
City contributions subsequent to the measurement date	126,959	321,237	448,196
<b>Total Deferred Outflows of Resources</b>	<b>\$208,726</b>	<b>\$1,256,128</b>	<b>\$1,464,854</b>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$10,188	\$176,601	\$186,789
Net difference between projected and actual earnings on pension plan investments	552,523	890,660	1,443,183
Changes in proportion and differences between City contributions and proportionate share of contributions	62,987	177,454	240,441
<b>Total Deferred Inflows of Resources</b>	<b>\$625,698</b>	<b>\$1,244,715</b>	<b>\$1,870,413</b>

\$448,196 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS		Total
	Traditional Plan	OP&F	
Year Ending December 31:			
2023	(\$126,693)	\$2,193	(\$124,500)
2024	(199,425)	(264,149)	(463,574)
2025	(129,920)	(80,804)	(210,724)
2026	(87,893)	(43,142)	(131,035)
2027	0	76,078	76,078
<b>Total</b>	<b>(\$543,931)</b>	<b>(\$309,824)</b>	<b>(\$853,755)</b>

***Actuarial Assumptions – OPERS***

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

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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 key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2 percent down to 6.9 percent, for the defined benefit investments. Key actuarial assumptions and methods used in the latest actuarial valuation, prepared as of December 31, 2021, reflecting experience study results, are presented below:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>
Wage Inflation	2.75 percent	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3.0 percent, simple	3.0 percent, simple
Post-January 7, 2013 Retirees	3.0 percent, simple through 2022, then 2.05 percent, simple	3.0 percent, simple through 2022, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Key actuarial assumptions and methods used in the prior actuarial valuation, prepared as of December 31, 2020, are presented below:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3.0 percent, simple	3.0 percent, simple
Post-January 7, 2013 Retirees	0.5 percent, simple through 2021, then 2.15 percent, simple	0.5 percent, simple through 2021, then 2.15 percent, simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent 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 percent 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 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 these tables.

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For 2020, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all the above-described 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 Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 15.3 percent for 2021.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Geometric)</u>
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	<u>100.00%</u>	<u>4.21%</u>

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**Discount Rate** The discount rate used to measure the total pension liability for the current year was 6.9 percent for the traditional plan and the combined plan. The discount rate for the prior year was 7.2 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 contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City’s Proportionate Share of the Net Pension Liability 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 (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
City's proportionate share of the net pension liability			
OPERS Traditional Plan	\$1,224,713	\$464,515	(\$168,072)

**Actuarial Assumptions – OP&F**

OP&F’s total pension liability as of December 31, 2021, 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 OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered are: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2021, are presented as follows:

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple per year

In February 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for the 2020 measurement period to 7.5 percent for the 2021 measurement period.

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

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

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

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

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

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

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OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective 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** For 2021, 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 of 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.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$5,037,812	\$3,397,073	\$2,030,743

**Note 13 - Defined Benefit OPEB Plans**

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

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

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset



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a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75 percent of the base allowance.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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 an HRA 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 with a minimum age of 60. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who became eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, 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.



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Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 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 contribution was \$408 for 2022. Of this amount, \$29 is reported as an intergovernmental payable.

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

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

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

OP&F maintains funds for health care in two separate accounts: 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. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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

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

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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.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2022, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$7,628 for 2022. Of this amount, \$1,493 is reported as an intergovernmental payable.

***OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability (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 (asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.005033%	0.0543756%	
Prior Measurement Date	<u>0.005271%</u>	<u>0.0532723%</u>	
Change in Proportionate Share	<u>-0.000238%</u>	<u>0.0011033%</u>	
Proportionate Share of the:			
Net OPEB Asset	(\$157,641)	\$0	(\$157,641)
Net OPEB Liability	\$0	\$596,003	\$596,003
OPEB Expense	(\$165,141)	\$70,401	(\$94,740)

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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&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$0	\$27,113	\$27,113
Changes of assumptions	0	263,809	263,809
Changes in proportion and differences between City contributions and proportionate share of contributions	0	96,916	96,916
City contributions subsequent to the measurement date	<u>408</u>	<u>7,628</u>	<u>8,036</u>
Total Deferred Outflows of Resources	<u>\$408</u>	<u>\$395,466</u>	<u>\$395,874</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$23,912	\$78,771	\$102,683
Changes of assumptions	63,811	69,222	133,033
Net difference between projected and actual earnings on OPEB plan investments	75,152	53,839	128,991
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>27,214</u>	<u>24,864</u>	<u>52,078</u>
Total Deferred Inflows of Resources	<u>\$190,089</u>	<u>\$226,696</u>	<u>\$416,785</u>

\$8,036 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 or an increase to the net OPEB asset 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:

Year Ending December 31:	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
2023	(\$126,566)	\$46,191	(\$80,375)
2024	(36,308)	38,199	1,891
2025	(16,420)	40,956	24,536
2026	(10,795)	5,096	(5,699)
2027	0	13,742	13,742
Thereafter	<u>0</u>	<u>16,958</u>	<u>16,958</u>
Total	<u>(\$190,089)</u>	<u>\$161,142</u>	<u>(\$28,947)</u>

***Actuarial Assumptions – OPERS***

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

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Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions. The actuarial valuation used for 2021 compared to those used for 2020 are as follows:

	December 31, 2021	December 31, 2020
Wage Inflation	2.75 percent	3.25 percent
Projected Salary Increases,	2.75 to 10.75 percent	3.25 to 10.75 percent
	including wage inflation	including wage inflation
Single Discount Rate	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	8.5 percent, initial
	3.50 percent, ultimate in 2034	3.50 percent, ultimate in 2035
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent 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 percent 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.

For 2020, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above-described tables.

The most recent experience study was completed for the five-year period ended December 31, 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, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual

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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 14.3 percent for 2021.

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
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 6.0 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 (Fidelity Index's "20-Year Municipal GO AA Index"). 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 actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate** The following table presents the City's proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 6.00 percent, as well as what the City's proportionate share of the net OPEB liability (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:

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
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	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
City's proportionate share of the net OPEB liability (asset)	(\$92,708)	(\$157,641)	(\$211,537)

***Sensitivity of the City's Proportionate Share of the Net OPEB Liability (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 liability (asset). The following table presents the net OPEB liability (asset) calculated using the assumed trend rates, and the expected net OPEB liability (asset) if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability (asset)	(\$159,345)	(\$157,641)	(\$155,620)

***Actuarial Assumptions – OP&F***

OP&F's total OPEB liability as of December 31, 2021, 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 the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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



**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Blended discount rate:	
Current measurement date	2.84 percent
Prior measurement date	2.96 percent
Cost of Living Adjustments	2.2 percent simple per year

In February 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for the 2020 measurement period to 7.5 percent for the 2021 measurement period.

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

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

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

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

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

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

**Discount Rate** For 2021, the total OPEB liability was calculated using the discount rate of 2.84 percent. For 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 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 for 2021 and 8 percent for 2020, which resulted in a blended discount rate of 2.84 percent for 2021 and 2.96 percent for 2020. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected

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OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, and the municipal bond rate was applied to all health care costs after that date.

***Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*** Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 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.

	1% Decrease (1.84%)	Current Discount Rate (2.84%)	1% Increase (3.84%)
City's proportionate share of the net OPEB liability	\$749,189	\$596,003	\$470,084

**Note 14 – Employee Benefits**

***Compensated Absences***

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

***Deferred Compensation***

City employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 456. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**Note 15 - Jointly Governed Organization**

***Eastgate Regional Council of Governments***

The Eastgate Regional Council of Governments (ERCG) is a jointly governed organization that is committed to fostering cooperative regional efforts in the planning, programming and implementation of public sector activities. ERCG has forty-eight participating members. These include representatives from Trumbull County and Mahoning County, township trustees and officials from participating cities and villages. The operation of ERCG is controlled by a general policy board which consists of a representative from each participant. Each member's degree of control is limited to its representation on the board. Funding comes from each of the participants. For 2022, the City contributed \$3,754 to the Eastgate Regional Council of Governments. For more information contact John R. Getchey, executive director, at 5121 Mahoning Avenue, Youngstown, Ohio 44515.



**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

**Note 16 – Encumbrances**

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

<b>Governmental Funds:</b>		<b>Proprietary Funds:</b>	
General	\$32,537	Water fund	\$22,715
Policy Levy	\$8,042	Sewer fund	2,838
Fire Levy	6,496	Total Proprietary	<u>\$25,553</u>
Other Governmental Funds	<u>379,561</u>		
Total Governmental	<u>\$426,636</u>		

**Note 17 – Change in Accounting Principle and Restatement of Fund Balances and Net Position**

For 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* and related guidance from (GASB) Implementation Guide No. 2019-3, *Leases*. The City also implemented GASB Statement No. 91, *Conduit Debt Obligations*, GASB Statement No. 92, *Omnibus 2020*, GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, and *Implementation Guide No. 2020-1*

GASB Statement 87 enhances the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the City’s 2022 financial statements. The City recognized \$612,591 in leases receivable at January 1, 2022; however, this entire amount was offset by the deferred inflows related to leases.

GASB 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB 97, among other items, requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan.

The changes for GASB 87, GASB 91 and GASB 97 were incorporated in the City’s 2022 financial statements; however, there was no effect on beginning net position/fund balance.

**Note 18 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June 2021 while the national state of emergency continues. During 2022, the City received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The impact on the City’s future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

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## Required Supplementary Information

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's Proportion of the Net Pension Liability	0.005339%	0.005603%	0.006257%	0.005946%
City's Proportionate Share of the Net Pension Liability	\$464,515	\$829,683	\$1,236,739	\$1,628,489
City's Covered Payroll	\$777,264	\$832,171	\$880,350	\$803,157
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	59.76%	99.70%	140.48%	202.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.62%	86.88%	82.17%	74.70%

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

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

See accompanying notes to the required supplementary information.

2018	2017	2016	2015	2014
0.005745%	0.005921%	0.005954%	0.006308%	0.006308%
\$901,279	\$1,344,558	\$1,031,310	\$760,815	\$743,631
\$759,254	\$765,400	\$741,033	\$773,317	\$652,100
118.71%	175.67%	139.17%	98.38%	114.04%
84.66%	77.25%	81.08%	86.45%	86.36%

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

	2022	2021	2020	2019	2018
City's Proportion of the Net Pension Asset	0.000000%	0.000000%	0.003235%	0.003237%	0.004472%
City's Proportionate Share of the Net Pension Asset	\$0	\$0	\$6,744	\$3,621	\$6,089
City's Covered Payroll	\$0	\$0	\$14,400	\$13,843	\$18,315
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	0.00%	0.00%	-46.83%	-26.16%	-33.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	169.88%	157.67%	145.28%	126.64%	137.28%

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

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

See accompanying notes to the required supplementary information.

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

	2022	2021	2020
City's Proportion of the Net OPEB (Asset) Liability	0.005033%	0.005271%	0.005980%
City's Proportionate Share of the Net OPEB (Asset) Liability	(\$157,641)	(\$93,908)	\$825,995
City's Covered Payroll	\$787,464	\$842,371	\$903,550
City's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	-20.02%	-11.15%	91.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	128.23%	115.57%	47.80%

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

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

See accompanying notes to the required supplementary information.

2019	2018	2017
0.005705%	0.005560%	0.005770%
\$743,797	\$603,775	\$582,790
\$827,400	\$787,169	\$797,942
89.90%	76.70%	73.04%
46.33%	54.14%	54.04%



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

	2022	2021	2020	2019
City's Proportion of the Net Pension Liability	0.0543756%	0.0532723%	0.0508885%	0.0569100%
City's Proportionate Share of the Net Pension Liability	\$3,397,073	\$3,631,621	\$3,428,120	\$4,645,360
City's Covered Payroll	\$1,394,126	\$1,443,152	\$1,068,144	\$1,295,614
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	243.67%	251.65%	320.94%	358.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.03%	70.65%	69.89%	63.07%

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

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

See accompanying notes to the required supplementary information.

2018	2017	2016	2015	2014
0.0537440%	0.0534300%	0.0549470%	0.0569253%	0.0569253%
\$3,298,513	\$3,384,202	\$3,534,779	\$2,948,968	\$2,772,441
\$1,149,749	\$1,186,883	\$1,104,393	\$1,117,497	\$1,002,768
286.89%	285.13%	320.07%	263.89%	276.48%
70.91%	68.36%	66.77%	71.71%	73.00%

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

	2022	2021	2020
City's Proportion of the Net OPEB Liability	0.0543756%	0.0532723%	0.0508885%
City's Proportionate Share of the Net OPEB Liability	\$596,003	\$564,429	\$502,663
City's Covered Payroll	\$1,394,126	\$1,443,152	\$1,068,144
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	42.75%	39.11%	47.06%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.90%	45.40%	47.08%

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

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

See accompanying notes to the required supplementary information.

2019	2018	2017
0.0569100%	0.0537440%	0.0534300%
\$518,253	\$3,045,060	\$2,536,202
\$1,295,614	\$1,149,749	\$1,186,883
40.00%	264.85%	213.69%
46.57%	14.13%	15.96%

**City of Cortland, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Contributions*  
*Ohio Public Employees Retirement System*  
*Last Ten Years*

	2022	2021	2020	2019
<b>Net Pension Liability - Traditional Plan</b>				
Contractually Required Contribution	\$126,959	\$108,817	\$116,504	\$123,249
Contributions in Relation to the Contractually Required Contribution	(126,959)	(108,817)	(116,504)	(123,249)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$906,850	\$777,264	\$832,171	\$880,350
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net Pension Liability - Combined Plan</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$2,016
Contributions in Relation to the Contractually Required Contribution	0	0	0	(2,016)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$0	\$0	\$0	\$14,400
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability - OPEB Plan (1)</b>				
Contractually Required Contribution	\$408	\$408	\$408	\$352
Contributions in Relation to the Contractually Required Contribution	(408)	(408)	(408)	(352)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (2)	\$917,050	\$787,464	\$842,371	\$903,550
OPEB Contributions as a Percentage of Covered Payroll	<u>0.04%</u>	<u>0.05%</u>	<u>0.05%</u>	<u>0.04%</u>

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

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

See accompanying notes to the required supplementary information.

2018	2017	2016	2015	2014	2013
\$112,442	\$98,703	\$91,848	\$88,924	\$92,798	\$84,773
(112,442)	(98,703)	(91,848)	(88,924)	(92,798)	(84,773)
\$0	\$0	\$0	\$0	\$0	\$0
\$803,157	\$759,254	\$765,400	\$741,033	\$773,317	\$652,100
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
\$1,938	\$2,381	\$2,897	\$1,657	\$1,902	\$1,738
(1,938)	(2,381)	(2,897)	(1,657)	(1,902)	(1,738)
\$0	\$0	\$0	\$0	\$0	\$0
\$13,843	\$18,315	\$24,142	\$13,808	\$15,850	\$13,369
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
\$416	\$8,160	\$16,127			
(416)	(8,160)	(16,127)			
\$0	\$0	\$0			
\$827,400	\$787,169	\$797,942			
0.05%	1.04%	2.02%			

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

	2022	2021	2020	2019
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$321,237	\$293,406	\$305,691	\$227,814
Contributions in Relation to the Contractually Required Contribution	<u>(321,237)</u>	<u>(293,406)</u>	<u>(305,691)</u>	<u>(227,814)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$1,525,651	\$1,394,126	\$1,443,152	\$1,068,144
Pension Contributions as a Percentage of Covered Payroll	<u>21.06%</u>	<u>21.05%</u>	<u>21.18%</u>	<u>21.33%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$7,628	\$6,970	\$7,216	\$5,341
Contributions in Relation to the Contractually Required Contribution	<u>(7,628)</u>	<u>(6,970)</u>	<u>(7,216)</u>	<u>(5,341)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.56%</u>	<u>21.55%</u>	<u>21.68%</u>	<u>21.83%</u>

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

See accompanying notes to the required supplementary information.

2018	2017	2016	2015	2014	2013
\$273,674	\$244,327	\$253,394	\$235,730	\$238,229	\$181,676
<u>(273,674)</u>	<u>(244,327)</u>	<u>(253,394)</u>	<u>(235,730)</u>	<u>(238,229)</u>	<u>(181,676)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,295,614	\$1,149,749	\$1,186,883	\$1,104,393	\$1,117,497	\$1,002,768
<u>21.12%</u>	<u>21.25%</u>	<u>21.35%</u>	<u>21.34%</u>	<u>21.32%</u>	<u>18.12%</u>
\$6,478	\$5,749	\$5,934	\$5,522	\$5,587	\$36,267
<u>(6,478)</u>	<u>(5,749)</u>	<u>(5,934)</u>	<u>(5,522)</u>	<u>(5,587)</u>	<u>(36,267)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>3.62%</u>
<u>21.62%</u>	<u>21.75%</u>	<u>21.85%</u>	<u>21.84%</u>	<u>21.82%</u>	<u>21.74%</u>



**City of Cortland, Ohio**  
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**Changes in Assumptions – OPERS Pension– Traditional Plan**

Amounts reported beginning in 2022 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in prior years are presented below:

	2022	2019	2018 and 2017	2016 and prior
Wage Inflation	2.75 percent	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:				
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	see below	see below	see below	see below
Investment Rate of Return	6.9 percent	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age	Individual Entry Age

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

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

2022	3.0 percent, simple through 2022 then 2.05 percent, simple
2021	0.5 percent, simple through 2021 then 2.15 percent, simple
2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple 5.50 to 5.00 percent

Amounts reported beginning in 2022 use pre-retirement mortality rates based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent 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 percent 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 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 these tables.

**City of Cortland, Ohio**  
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Amounts reported beginning in 2017 use pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

**Changes in Assumptions – OPERS Pension – Combined Plan**

	2022	2019	2018
Wage Inflation	2.75 percent	3.25 percent	3.25 percent
Future Salary Increases	2.75 to 8.25 percent including wage inflation	3.25 to 8.25 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:			
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	see below	see below	see below
Investment Rate of Return	6.9 percent	7.2 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

For 2022, 2021 and 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013, retirees as the Traditional Plan.

**Changes in Assumptions – OP&F Pension**

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

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	Beginning in 2018	2017 and Prior
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent

For 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022.

Amounts reported beginning in 2018 use valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

Amounts reported beginning in 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent Modified 2016 Improvement Scale.

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

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

**City of Cortland, Ohio**  
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**Changes in Assumptions – OPERS OPEB**

Wage Inflation:	
2022	2.75 percent
2021 and prior	3.25 percent
Projected Salary Increases (including wage inflation):	
2022	2.75 to 10.75 percent
2021 and prior	3.25 to 10.75 percent
Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2022	1.84 percent
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2022	6.00 percent
2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2022	5.5 percent, initial 3.5 percent, ultimate in 2034
2021	8.5 percent, initial 3.5 percent, ultimate in 2035
2020	10.5 percent, initial 3.5 percent, ultimate in 2030
2019	10.0 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028

**Changes in Assumptions – OP&F OPEB**

Blended Discount Rate:	
2022	2.84 percent
2021	2.96 percent
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

For 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022.

**City of Cortland, Ohio**  
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**Changes in Benefit Terms – OPERS OPEB**

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-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 non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in 2021.

**Changes in Benefit Terms – OP&F OPEB**

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

**City of Cortland, Ohio**  
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The discussion and analysis of the City of Cortland's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2021. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and notes to enhance their understanding of the City's financial performance.

***Financial Highlights***

- The City's net position increased during 2021 due primarily to (1) increases in cash and cash equivalents resulting from higher property taxes and ultimately from total cash revenues outpacing cash expenditures and (2) changes in the net pension and net OPEB (asset)/liabilities and the related outflows and inflows.
- The City entered into a capital lease for a new fire truck in 2021. The City has not drawn down any proceeds in the escrow account leaving a balance of \$589,937 as of December 31, 2021 which is presented as "cash and cash equivalents with fiscal agent."
- In 2021, capital asset additions consisted of the construction in progress, buildings and improvements, purchase of furniture, fixtures, equipment, vehicles and infrastructure improvements to roads.

***Using this Annual Financial Report***

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

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

***The City of Cortland as a Whole***

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

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2021?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

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

***Reporting the City's Most Significant Funds***

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

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

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

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

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

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

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

***The City as a Whole***

As noted earlier, the Statement of Net Position looks at the City as a whole. The following table provides a summary of the City's net position for 2021 compared to 2020.

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

**Table 1**  
*Net Position*

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021*	2020*
<b>Assets</b>						
Current and Other Assets	\$7,737,673	\$6,168,823	\$2,594,219	\$2,302,263	\$10,331,892	\$8,471,086
Capital Assets, Net	6,349,667	6,344,746	9,774,645	10,166,114	16,124,312	16,510,860
<i>Total Assets</i>	<u>14,087,340</u>	<u>12,513,569</u>	<u>12,368,864</u>	<u>12,468,377</u>	<u>26,456,204</u>	<u>24,981,946</u>
<b>Deferred Outflows of Resources</b>						
Pension	787,708	777,294	64,192	117,519	851,900	881,847
OPEB	461,238	513,015	28,630	79,189	489,584	582,503
<i>Total Deferred Outflows of Resources</i>	<u>1,248,946</u>	<u>1,290,309</u>	<u>92,822</u>	<u>196,708</u>	<u>1,341,484</u>	<u>1,464,350</u>
<b>Liabilities</b>						
Current Liabilities	471,697	76,928	80,497	189,972	552,194	266,900
Long-Term Liabilities						
Due Within One Year	172,129	130,405	305,847	265,842	477,976	396,247
Due in More Than One Year						
Net Pension Liability	4,029,870	4,021,757	431,434	643,102	4,461,304	4,664,859
Net OPEB Liability	564,429	899,144	0	429,514	564,429	1,328,658
Other Amounts	945,282	541,532	3,550,603	3,798,407	4,495,885	4,339,939
<i>Total Liabilities</i>	<u>\$6,183,407</u>	<u>\$5,669,766</u>	<u>\$4,368,381</u>	<u>\$5,326,837</u>	<u>\$10,551,788</u>	<u>\$10,996,603</u>



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**Table 1**  
*Net Position (continued)*

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021*	2020*
<b>Deferred Inflows of Resources</b>						
Property Taxes	\$3,132,516	\$3,068,529	\$0	\$0	\$3,132,516	\$3,068,529
Pension	800,638	840,685	233,038	150,664	1,033,676	978,383
OPEB	400,820	277,363	180,576	70,696	581,112	338,358
<i>Total Deferred Inflows of Resources</i>	<u>4,333,974</u>	<u>4,186,577</u>	<u>413,614</u>	<u>221,360</u>	<u>4,747,304</u>	<u>4,385,270</u>
<b>Net Position</b>						
Net Investment in						
Capital Assets	6,153,475	5,997,957	5,974,337	6,035,533	12,127,812	12,033,490
Restricted for:						
Capital Projects	176,747	20,483	0	0	176,747	20,483
Police	147,007	231,782	0	0	147,007	231,782
Fire	768,368	714,111	0	0	768,368	714,111
Street Construction, Maintenance and Repair	663,408	489,449	0	0	663,408	489,449
Other Purposes	283,919	234,580	0	0	283,919	234,580
Unrestricted (Deficit)	(3,374,019)	(3,740,827)	1,705,354	1,081,355	(1,668,665)	(2,659,472)
<i>Total Net Position</i>	<u>\$4,818,905</u>	<u>\$3,947,535</u>	<u>\$7,679,691</u>	<u>\$7,116,888</u>	<u>\$12,498,596</u>	<u>\$11,064,423</u>

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2021. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Total assets for governmental activities increased due mainly to an increase in cash and cash equivalents attributable to higher property tax revenues, unspent American Rescue Plan monies and unspent lease proceeds. Current liabilities increased due to unearned revenue related to American Rescue Plan grants received before eligibility requirements were met. The increase in long-term liabilities can be attributed to a new capital lease obligation. This increase was partially offset by a reduction in the net OPEB liability.

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Total assets for business-type activities decreased due to lower net capital assets resulting from current year depreciation. Total liabilities for business-type activities decreased due to a drop in net pension liability, net OPEB liability and long-term debt obligations.

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

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the year. The following table provides a summary of the City's changes in net position for 2021 compared to 2020.

**Table 2**  
*Change in Net Position*

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$652,647	\$541,157	\$2,097,240	\$2,175,309	\$2,749,887	\$2,716,466
Operating Grants and Contributions	990,762	1,330,657	0	0	990,762	1,330,657
Capital Grants	98,142	132,558	0	67,856	98,142	200,414
Total Program Revenues	<u>1,741,551</u>	<u>2,004,372</u>	<u>2,097,240</u>	<u>2,243,165</u>	<u>3,838,791</u>	<u>4,247,537</u>
General Revenues						
Property Taxes	3,104,464	2,641,884	0	0	3,104,464	2,641,884
Local Permissive Taxes	134,753	105,105	0	0	134,753	105,105
Grants and Entitlements	207,078	218,061	0	0	207,078	218,061
Contributions and Donations	1,000	0	0	0	1,000	0
Investment Earnings	27,240	35,759	0	0	27,240	35,759
Gain on Sale of Capital Assets	6,012	108	7,718	0	13,730	108
Other	72,751	46,381	23,588	22,930	96,339	69,311
Total General Revenues	<u>3,553,298</u>	<u>3,047,298</u>	<u>31,306</u>	<u>22,930</u>	<u>3,584,604</u>	<u>3,070,228</u>
<i>Total Revenues</i>	<u>5,294,849</u>	<u>5,051,670</u>	<u>2,128,546</u>	<u>2,266,095</u>	<u>7,423,395</u>	<u>7,317,765</u>
<b>Program Expenses</b>						
General Government	580,860	942,735	0	0	580,860	942,735
Security of Persons and Property	3,222,201	3,145,817	0	0	3,222,201	3,145,817
Public Health and Welfare	23,237	25,441	0	0	23,237	25,441
Leisure Time Activities	42,908	36,177	0	0	42,908	36,177
Community Environment	14,408	12,324	0	0	14,408	12,324
Transportation	500,787	576,478	0	0	500,787	576,478
Basic Utility Services	45,606	52,043	0	0	45,606	52,043
Interest and Fiscal Charges	13,388	5,461	0	0	13,388	5,461
Water	0	0	682,036	866,739	682,036	866,739
Sewer	0	0	863,791	1,230,216	863,791	1,230,216
Total Program Expenses	<u>4,443,395</u>	<u>4,796,476</u>	<u>1,545,827</u>	<u>2,096,955</u>	<u>5,989,222</u>	<u>6,893,431</u>
Transfers	19,916	0	(19,916)	0	0	0
Increase (Decrease) in Net Position	871,370	255,194	562,803	169,140	1,434,173	424,334
Net Position Beginning	3,947,535	3,692,341	7,116,888	6,947,748	11,064,423	10,640,089
Net Position End of Year	<u>\$4,818,905</u>	<u>\$3,947,535</u>	<u>\$7,679,691</u>	<u>\$7,116,888</u>	<u>\$12,498,596</u>	<u>\$11,064,423</u>

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***Governmental-Type Activities***

For governmental activities, there was an overall decrease in program revenues for 2021. Charges for services increased due to higher charges for ambulance runs. Operating grants went down as a result of a decrease in coronavirus relief monies. The decrease in capital grants was due to a decrease in ODOT and OPWC grant monies received in 2021. The general revenues increased due to increases in property tax revenues, local permissive taxes, and miscellaneous revenue.

A review of table 2 also shows that program expenses decreased overall from 2020 levels as a result of changes in the net pension and net OPEB (asset)/liabilities. Program expenses excluding amounts related to the net pension/OPEB (asset)/liabilities and related payments subsequent actually increased by \$126,550 due to an increase in police and fire operating costs.

The largest expense for the City in 2021 was security of persons and property for the police and fire departments. The Cortland City Police Department is a full-service law enforcement agency consisting of 12 full-time and 4 part-time police officers. The department offers 24-hour patrol and citizen complaint response, as well as providing additional services such as vacation checks, business and citizen programs, fingerprinting, etc. The Cortland City Fire Department currently operates out of one station house. The department responds to nearly 900 emergencies each year. The department is staffed by 10 full-time and approximately 22 part-time employees. The full time daily staff of four firefighter/paramedics is supplemented by part time and volunteer crews.

The second largest expense for the City in 2021 was general government. Expenses for general government represent the overhead costs of running the City and the support services provided for the other governmental activities. These include the costs of council, the mayor, administration, law, service and finance.

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

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

	Governmental Activities			
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2021	2020	2021	2020
General Government	\$580,860	\$942,735	(\$447,531)	(\$820,330)
Security of Persons and Property	3,222,201	3,145,817	(2,277,379)	(1,856,308)
Public Health and Welfare	23,237	25,441	(19,304)	(20,094)
Leisure Time Activities	42,908	36,177	(35,645)	(28,574)
Community Environment	14,408	12,324	(11,969)	(9,734)
Transportation	500,787	576,478	148,793	(1,142)
Basic Utility Services	45,606	52,043	(45,421)	(50,461)
Interest and Fiscal Charges	13,388	5,461	(13,388)	(5,461)
<b>Total</b>	<b>\$4,443,395</b>	<b>\$4,796,476</b>	<b>(\$2,701,844)</b>	<b>(\$2,792,104)</b>

***Business-Type Activities***

Business-type activities include the City's water and sewer operations. In 2021, charges for services continued to be the major revenue source for business-type activities. On the expense side, the largest expenses are for contractual services and employee payroll and benefits.

**City of Cortland, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2021*  
*Unaudited*

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***The City's Funds***

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

The City's major governmental funds are the general fund, police levy and fire levy special revenue funds and the fire capital improvement fund. Despite an increase in expenditures, the general fund saw an increase in fund balance as a result of revenues continuing to outpace program expenditures. The police levy special revenue fund had a decrease in fund balance due to higher operating costs. The fire levy special revenue fund saw an increase in fund balance, despite an increase in expenditures, due to slightly higher revenues continuing to exceed fire operating costs. The fire capital improvement fund saw an increase in fund balance due to property tax collections that began in January 2021 as well as to an increase to cash with fiscal agent related to unspent lease proceeds.

Proprietary funds are accounted for on an accrual basis.

Enterprise funds are handled in the same manner as governmental funds, with the intent to ensure the strength of these funds. These funds had total operating revenue of \$2,120,828 and total operating expenses of \$1,543,873. The City has the power to increase revenue through water and sewer rate increases.

***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. One of the most significant budgeted funds is the general fund. During the course of 2021, the City amended its general fund budget on various occasions. All recommendations for budget changes are presented to the Finance Committee of Council before going to City Council for legislative action to approve the change. Budgetary changes normally consist of requests for capital expenditures as the City of Cortland operates with a legal level of control at the object level for all funds. This allows the City to make small interdepartmental budget modifications within departments. The general fund supports many major activities that include parks and storm sewers, in addition to being the funding source for legislative and administrative activities. The general fund is monitored closely with regard to revenues and related expenditures.

There were small fluctuations in revenues from the final budget to actual, but overall individual revenue projections were close to estimates. There was a decrease in actual expenditures made compared to the final budget. This was due to conservative spending in the City's efforts to maintain a positive fund balance.

***Capital Assets***

For 2021, the primary additions for governmental activities included construction in progress for engineering work for the Mecca Street Resurfacing project, building and improvements, the purchase of vehicles, furniture, fixtures, and equipment and infrastructure improvements to roads.

Business-type activities did not have any additions to capital assets in 2021.

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

**City of Cortland, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2021*  
*Unaudited*

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***Long-term Obligations***

The City's long-term obligations consist of a capital lease, OPWC loans, OWDA loans, net pension liability, net OPEB liability and compensated absences. Business-type OPWC loans and OWDA loans are for water infrastructure improvement projects and will be repaid using water revenues. The capital lease payable will be repaid from the fire capital improvement fund. The governmental OPWC loan is for storm sewer improvements and will be repaid from the general fund using storm sewer charges.

The City's overall legal debt margin was \$16,023,786 at December 31, 2021. Additional information concerning debt issuances can be found in Note 10 to the basic financial statements.

**Current Financial Related Activities**

The general fund continues to fund the administrative costs and activities such as parks and storm sewers. Since the City of Cortland does not have an income tax, but relies upon tax levies for the majority of its funding, the flow of revenue has remained fairly constant. These revenues will continue to be closely monitored and reviewed to ensure continued financial stability as we go forward. The City also continues to maintain infrastructure by making various improvements when needed. In 2021, the City made improvements to roads. The City is dedicated to careful financial planning to remain financially strong.

**Contacting the City's Finance Department**

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

**City of Cortland, Ohio**  
*Statement of Net Position*  
December 31, 2021

	Governmental Activities	Business-Type Activities	Total*
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,094,453	\$1,994,912	\$5,089,365
Cash and Cash Equivalents			
With Fiscal Agents	589,937	0	589,937
Accounts Receivable	187,446	541,774	729,220
Intergovernmental Receivable	490,005	0	490,005
Local Permissive Taxes Receivable	65,116	0	65,116
Prepaid Items	19,118	8,699	27,817
Property Taxes Receivable	3,246,524	0	3,246,524
Net OPEB Asset (see Note 13)	45,074	48,834	93,908
Nondepreciable Capital Assets	105,987	45,087	151,074
Depreciable Capital Assets, Net	6,243,680	9,729,558	15,973,238
<i>Total Assets</i>	<u>14,087,340</u>	<u>12,368,864</u>	<u>26,456,204</u>
<b>Deferred Outflows of Resources</b>			
Pension	787,708	64,192	851,900
OPEB	461,238	28,630	489,868
<i>Total Deferred Outflows of Resources</i>	<u>1,248,946</u>	<u>92,822</u>	<u>1,341,768</u>
<b>Liabilities</b>			
Accounts Payable	8,060	8,405	16,465
Accrued Wages	71,508	18,728	90,236
Intergovernmental Payable	31,056	42,654	73,710
Accrued Interest Payable	10,705	10,710	21,415
Unearned Revenue	350,368	0	350,368
Long-Term Liabilities:			
Due Within One Year	172,129	305,847	477,976
Due In More Than One Year			
Net Pension Liability (See Note 12)	4,029,870	431,434	4,461,304
Net OPEB Liability (See Note 13)	564,429	0	564,429
Other Amounts	945,282	3,550,603	4,495,885
<i>Total Liabilities</i>	<u>6,183,407</u>	<u>4,368,381</u>	<u>10,551,788</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	3,132,516	0	3,132,516
Pension	800,638	233,038	1,033,676
OPEB	400,820	180,576	581,396
<i>Total Deferred Inflows of Resources</i>	<u>4,333,974</u>	<u>413,614</u>	<u>4,747,588</u>
<b>Net Position</b>			
Net Investment in Capital Assets	6,153,475	5,974,337	12,127,812
Restricted for:			
Capital Projects	176,747	0	176,747
Police	147,007	0	147,007
Fire	768,368	0	768,368
Street Construction, Maintenance and Repair	663,408	0	663,408
Other Purposes	283,919	0	283,919
Unrestricted (Deficit)	(3,374,019)	1,705,354	(1,668,665)
<i>Total Net Position</i>	<u>\$4,818,905</u>	<u>\$7,679,691</u>	<u>\$12,498,596</u>

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

See accompanying notes to the basic financial statements

**City of Cortland, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2021

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants
<b>Governmental Activities:</b>				
General Government	\$580,860	\$125,503	\$7,826	\$0
Security of Persons and Property	3,222,201	513,324	431,498	0
Public Health and Welfare	23,237	3,933	0	0
Leisure Time Activities	42,908	7,263	0	0
Community Environment	14,408	2,439	0	0
Transportation	500,787	0	551,438	98,142
Basic Utility Services	45,606	185	0	0
Interest and Fiscal Charges	13,388	0	0	0
<i>Total Governmental Activities</i>	<u>4,443,395</u>	<u>652,647</u>	<u>990,762</u>	<u>98,142</u>
<b>Business-Type Activities:</b>				
Water	682,036	955,230	0	0
Sewer	863,791	1,142,010	0	0
<i>Total Business-Type Activities</i>	<u>1,545,827</u>	<u>2,097,240</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$5,989,222</u>	<u>\$2,749,887</u>	<u>\$990,762</u>	<u>\$98,142</u>

**General Revenues**

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

*Total General Revenues*

Transfers

Total General Revenues and Transfers

Change in Net Position

*Net Position Beginning of Year*

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$447,531)	\$0	(\$447,531)
(2,277,379)	0	(2,277,379)
(19,304)	0	(19,304)
(35,645)	0	(35,645)
(11,969)	0	(11,969)
148,793	0	148,793
(45,421)	0	(45,421)
(13,388)	0	(13,388)
(2,701,844)	0	(2,701,844)
0	273,194	273,194
0	278,219	278,219
0	551,413	551,413
(2,701,844)	551,413	(2,150,431)
582,058	0	582,058
1,322,350	0	1,322,350
987,374	0	987,374
212,682	0	212,682
134,753	0	134,753
207,078	0	207,078
1,000	0	1,000
27,240	0	27,240
6,012	7,718	13,730
72,751	23,588	96,339
3,553,298	31,306	3,584,604
19,916	(19,916)	0
3,573,214	11,390	3,584,604
871,370	562,803	1,434,173
3,947,535	7,116,888	11,064,423
<u>\$4,818,905</u>	<u>\$7,679,691</u>	<u>\$12,498,596</u>



**City of Cortland, Ohio**

*Balance Sheet  
Governmental Funds  
December 31, 2021*

	General	Police Levy	Fire Levy	Fire Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$1,034,797	\$184,090	\$720,061	\$165,919	\$989,586	\$3,094,453
Cash and Cash Equivalents:						
With Fiscal Agents	0	0	0	589,937	0	589,937
Receivables:						
Property Taxes	627,651	1,376,835	1,028,587	213,451	0	3,246,524
Local Permissive Taxes	0	0	0	0	65,116	65,116
Accounts	15,911	118	171,386	0	31	187,446
Intergovernmental Receivable	93,548	75,542	62,388	3,332	255,195	490,005
Prepaid Items	7,757	3,946	5,494	0	1,921	19,118
<i>Total Assets</i>	<u>\$1,779,664</u>	<u>\$1,640,531</u>	<u>\$1,987,916</u>	<u>\$972,639</u>	<u>\$1,311,849</u>	<u>\$7,692,599</u>
<b>Liabilities</b>						
Accounts Payable	\$3,201	\$587	\$4,018	\$0	\$254	\$8,060
Accrued Wages	10,951	31,398	26,619	0	2,540	71,508
Intergovernmental Payable	4,471	14,888	10,665	0	1,032	31,056
Unearned Revenue	0	0	0	0	350,368	350,368
<i>Total Liabilities</i>	<u>18,623</u>	<u>46,873</u>	<u>41,302</u>	<u>0</u>	<u>354,194</u>	<u>460,992</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	605,610	1,328,485	992,466	205,955	0	3,132,516
Unavailable Revenue	105,743	123,892	226,540	10,828	271,058	738,061
<i>Total Deferred Inflows of Resources</i>	<u>711,353</u>	<u>1,452,377</u>	<u>1,219,006</u>	<u>216,783</u>	<u>271,058</u>	<u>3,870,577</u>
<b>Fund Balances</b>						
Nonspendable	7,757	3,946	5,494	0	1,921	19,118
Restricted	0	137,335	722,114	755,856	683,676	2,298,981
Committed	0	0	0	0	1,000	1,000
Assigned	1,034,797	0	0	0	0	1,034,797
Unassigned	7,134	0	0	0	0	7,134
<i>Total Fund Balances</i>	<u>1,049,688</u>	<u>141,281</u>	<u>727,608</u>	<u>755,856</u>	<u>686,597</u>	<u>3,361,030</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$1,779,664</u>	<u>\$1,640,531</u>	<u>\$1,987,916</u>	<u>\$972,639</u>	<u>\$1,311,849</u>	<u>\$7,692,599</u>

See accompanying notes to the basic financial statements

**City of Cortland, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2021*

<b>Total Governmental Fund Balances</b>	<b>\$3,361,030</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,349,667
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent Property Taxes	114,008
Local Permissive Taxes	54,870
Charges for Services	128,031
Intergovernmental	<u>441,152</u>
Total	738,061
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(10,705)
The net pension asset, net pension liability and net OPEB liability are not due and payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.	
Net OPEB Asset	45,074
Deferred Outflows - Pension	787,708
Deferred Outflows - OPEB	461,238
Net Pension Liability	(4,029,870)
Net OPEB Liability	(564,429)
Deferred Inflows - Pension	(800,638)
Deferred Inflows - OPEB	<u>(400,820)</u>
Total	(4,501,737)
Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.	
Capital Leases Payable	(589,937)
OPWC Loans Payable	(196,192)
Compensated Absences	<u>(331,282)</u>
Total	<u>(1,117,411)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$4,818,905</u></u>

See accompanying notes to the basic financial statements

**City of Cortland, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2021*

	General	Police Levy	Fire Levy	Fire Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$582,971	\$1,323,481	\$988,715	\$205,186	\$0	\$3,100,353
Local Permissive Taxes	0	0	0	0	122,827	122,827
Charges for Services	68,247	0	452,885	0	0	521,132
Licenses and Permits	78,620	0	0	0	0	78,620
Fines and Forfeitures	3,000	0	0	0	83	3,083
Intergovernmental	192,196	257,887	128,416	6,639	672,570	1,257,708
Interest	24,280	0	0	0	2,960	27,240
Contributions and Donations	1,000	3,200	3,850	0	0	8,050
Other	63,161	1,618	7,637	0	335	72,751
<i>Total Revenues</i>	<u>1,013,475</u>	<u>1,586,186</u>	<u>1,581,503</u>	<u>211,825</u>	<u>798,775</u>	<u>5,191,764</u>
<b>Expenditures</b>						
Current:						
General Government	735,365	0	0	0	7,826	743,191
Security of Persons and Property	62,290	1,628,032	1,516,959	3,048	49,807	3,260,136
Public Health Services	23,237	0	0	0	0	23,237
Leisure Time Activities	42,908	0	0	0	0	42,908
Community Environment	14,408	0	0	0	0	14,408
Transportation	0	0	0	0	473,855	473,855
Basic Utility Services	1,090	0	0	0	0	1,090
Capital Outlay	0	0	0	0	100,282	100,282
Debt Service:						
Principal Retirement	15,092	35,805	49,850	49,850	0	150,597
Interest and Fiscal Charges	0	561	1,380	1,380	0	3,321
<i>Total Expenditures</i>	<u>894,390</u>	<u>1,664,398</u>	<u>1,568,189</u>	<u>54,278</u>	<u>631,770</u>	<u>4,813,025</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>119,085</u>	<u>(78,212)</u>	<u>13,314</u>	<u>157,547</u>	<u>167,005</u>	<u>378,739</u>
<b>Other Financing Sources (Uses)</b>						
Sale of Capital Assets	6,213	0	0	0	6,363	12,576
Inception of Capital Lease	0	0	0	589,937	0	589,937
<i>Total Other Financing Sources (Uses)</i>	<u>6,213</u>	<u>0</u>	<u>0</u>	<u>589,937</u>	<u>6,363</u>	<u>602,513</u>
<i>Net Change in Fund Balance</i>	125,298	(78,212)	13,314	747,484	173,368	981,252
<i>Fund Balances Beginning of Year</i>	<u>924,390</u>	<u>219,493</u>	<u>714,294</u>	<u>8,372</u>	<u>513,229</u>	<u>2,379,778</u>
<i>Fund Balances End of Year</i>	<u>\$1,049,688</u>	<u>\$141,281</u>	<u>\$727,608</u>	<u>\$755,856</u>	<u>\$686,597</u>	<u>\$3,361,030</u>

See accompanying notes to the basic financial statements

**City of Cortland, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2021*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$981,252</b>
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital Asset Additions	617,422	
Current Year Depreciation	<u>(606,566)</u>	
Total		10,856
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.		
		(5,935)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	4,111	
Local Permissive Taxes	11,926	
Charges for Services	49,812	
Intergovernmental	<u>31,224</u>	
Total		97,073
Contractual required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	345,639	
OPEB	<u>7,166</u>	
Total		352,805
Except for amounts reported as deferred inflows/outflows, changes in net pension/OPEB liability are reported as pension expense in the statement of activities.		
Pension	(306,529)	
OPEB	<u>197,389</u>	
Total		(109,140)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		150,597
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(6,134)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		(10,067)
Other financing sources, such as inception of capital lease, in the governmental funds increase long-term liabilities in the statement of net position.		
		<u>(589,937)</u>
<i>Change in Net Position of Governmental Activities</i>		<u><u>\$871,370</u></u>

See accompanying notes to the basic financial statements

**City of Cortland, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$535,724	\$579,019	\$582,971	\$3,952
Charges for Services	62,453	67,500	68,332	832
Licenses and Permits	50,287	54,351	78,620	24,269
Fines and Forfeitures	2,776	3,000	3,036	36
Intergovernmental	148,396	160,389	190,962	30,573
Interest	32,383	35,000	24,280	(10,720)
Contributions and Donations	0	0	1,000	1,000
Other	62,240	67,270	63,161	(4,109)
<i>Total Revenues</i>	894,259	966,529	1,012,362	45,833
<b>Expenditures</b>				
Current:				
General Government	1,293,833	1,293,833	725,921	567,912
Security of Persons and Property	152,212	144,400	62,290	82,110
Public Health Services	50,500	50,500	23,237	27,263
Leisure Time Activities	46,500	46,500	42,073	4,427
Community Environment	85,150	85,150	13,813	71,337
Basic Utility Services	90,702	90,702	1,090	89,612
Capital Outlay	60,000	60,000	0	60,000
Debt Service:				
Principal Retirement	15,100	15,100	15,092	8
<i>Total Expenditures</i>	1,793,997	1,786,185	883,516	902,669
<i>Excess of Revenues Over (Under) Expenditures</i>	(899,738)	(819,656)	128,846	948,502
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	0	6,213	6,213
<i>Net Change in Fund Balance</i>	(899,738)	(819,656)	135,059	954,715
<i>Fund Balance Beginning of Year</i>	899,738	899,738	899,738	0
<i>Fund Balance End of Year</i>	\$0	\$80,082	\$1,034,797	\$954,715

See accompanying notes to the basic financial statements

**City of Cortland, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Police Levy Fund*  
*For the Year Ended December 31, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,269,350	\$1,269,350	\$1,323,481	\$54,131
Intergovernmental	200,000	301,000	257,887	(43,113)
Contributions and Donations	0	0	3,200	3,200
Other	0	0	1,588	1,588
<i>Total Revenues</i>	<u>1,469,350</u>	<u>1,570,350</u>	<u>1,586,156</u>	<u>15,806</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	1,669,483	1,669,483	1,611,079	58,404
Debt Service:				
Principal Retirement	36,000	36,000	35,805	195
Interest and Fiscal Charges	545	545	561	(16)
<i>Total Expenditures</i>	<u>1,706,028</u>	<u>1,706,028</u>	<u>1,647,445</u>	<u>58,583</u>
<i>Net Change in Fund Balance</i>	(236,678)	(135,678)	(61,289)	74,389
<i>Fund Balance Beginning of Year</i>	237,979	237,979	237,979	0
Prior Year Encumbrances Appropriated	7,400	7,400	7,400	0
<i>Fund Balance End of Year</i>	<u>\$8,701</u>	<u>\$109,701</u>	<u>\$184,090</u>	<u>\$74,389</u>

See accompanying notes to the basic financial statements

**City of Cortland, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Fire Levy Fund*  
*For the Year Ended December 31, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,009,532	\$1,009,532	\$988,715	(\$20,817)
Charges for Services	340,000	340,000	439,935	99,935
Intergovernmental	119,109	119,109	128,416	9,307
Contributions and Donations	2,000	2,000	3,850	1,850
Other	0	0	7,635	7,635
<i>Total Revenues</i>	<u>1,470,641</u>	<u>1,470,641</u>	<u>1,568,551</u>	<u>97,910</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	2,130,011	2,130,011	1,507,860	622,151
Debt Service:				
Principal Retirement	49,850	49,850	49,850	0
Interest and Fiscal Charges	1,380	1,380	1,380	0
<i>Total Expenditures</i>	<u>2,181,241</u>	<u>2,181,241</u>	<u>1,559,090</u>	<u>622,151</u>
<i>Net Change in Fund Balance</i>	(710,600)	(710,600)	9,461	720,061
<i>Fund Balance Beginning of Year</i>	654,839	654,839	654,839	0
Prior Year Encumbrances Appropriated	55,761	55,761	55,761	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$720,061</u>	<u>\$720,061</u>

See accompanying notes to the basic financial statements

**City of Cortland, Ohio**  
*Statement of Fund Net Position*  
*Enterprise Funds*  
*December 31, 2021*

	Water	Sewer	Total
<b>Assets</b>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$761,355	\$1,233,557	\$1,994,912
Accounts Receivable	238,057	303,717	541,774
Prepaid Items	6,512	2,187	8,699
<i>Total Current Assets</i>	<u>1,005,924</u>	<u>1,539,461</u>	<u>2,545,385</u>
<i>Noncurrent Assets:</i>			
Net OPEB Asset	24,417	24,417	48,834
Nondepreciable Capital Assets	44,400	687	45,087
Depreciable Capital Assets, Net	6,372,513	3,357,045	9,729,558
<i>Total Noncurrent Assets</i>	<u>6,441,330</u>	<u>3,382,149</u>	<u>9,823,479</u>
<i>Total Assets</i>	<u>7,447,254</u>	<u>4,921,610</u>	<u>12,368,864</u>
<b>Deferred Outflows of Resources</b>			
Pension	32,096	32,096	64,192
OPEB	14,315	14,315	28,630
<i>Total Deferred Outflows of Resources</i>	<u>46,411</u>	<u>46,411</u>	<u>92,822</u>
<b>Liabilities</b>			
<i>Current Liabilities:</i>			
Accounts Payable	6,777	1,628	8,405
Accrued Wages	9,309	9,419	18,728
Intergovernmental Payable	3,335	39,319	42,654
Accrued Interest Payable	10,710	0	10,710
Compensated Absences Payable	9,071	9,071	18,142
OPWC Loans Payable	226,066	0	226,066
OWDA Loans Payable	61,639	0	61,639
<i>Total Current Liabilities</i>	<u>326,907</u>	<u>59,437</u>	<u>386,344</u>
<i>Long-Term Liabilities:</i>			
Compensated Absences Payable	19,000	19,000	38,000
OPWC Loans Payable	2,860,237	0	2,860,237
OWDA Loans Payable	652,366	0	652,366
Net Pension Liability	215,717	215,717	431,434
<i>Total Long-Term Liabilities</i>	<u>3,747,320</u>	<u>234,717</u>	<u>3,982,037</u>
<i>Total Liabilities</i>	<u>4,074,227</u>	<u>294,154</u>	<u>4,368,381</u>
<b>Deferred Inflows of Resources</b>			
Pension	116,519	116,519	233,038
OPEB	90,288	90,288	180,576
<i>Total Deferred Inflows of Resources</i>	<u>206,807</u>	<u>206,807</u>	<u>413,614</u>
<b>Net Position</b>			
Net Investment in Capital Assets	2,616,605	3,357,732	5,974,337
Unrestricted	596,026	1,109,328	1,705,354
<i>Total Net Position</i>	<u>\$3,212,631</u>	<u>\$4,467,060</u>	<u>\$7,679,691</u>

See accompanying notes to the basic financial statements  
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**City of Cortland, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Enterprise Funds  
For the Year Ended December 31, 2021*

	Water	Sewer	Total
<b>Operating Revenues</b>			
Charges for Services	\$933,703	\$1,136,047	\$2,069,750
Tap-In Fees	21,527	5,963	27,490
Other	23,452	136	23,588
<i>Total Operating Revenues</i>	<u>978,682</u>	<u>1,142,146</u>	<u>2,120,828</u>
<b>Operating Expenses</b>			
Personal Services	221,914	227,984	449,898
Materials and Supplies	73,402	46,357	119,759
Contractual Services	162,727	420,020	582,747
Depreciation	212,081	179,388	391,469
<i>Total Operating Expenses</i>	<u>670,124</u>	<u>873,749</u>	<u>1,543,873</u>
<i>Operating Income (Loss)</i>	<u>308,558</u>	<u>268,397</u>	<u>576,955</u>
<b>Non-Operating Revenues (Expenses)</b>			
Gain on Sale of Capital Assets	3,859	3,859	7,718
Interest and Fiscal Charges	(21,870)	0	(21,870)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(18,011)</u>	<u>3,859</u>	<u>(14,152)</u>
<i>Change in Net Position</i>	290,547	272,256	562,803
<i>Net Position Beginning of Year</i>	<u>2,922,084</u>	<u>4,194,804</u>	<u>7,116,888</u>
<i>Net Position End of Year</i>	<u><u>\$3,212,631</u></u>	<u><u>\$4,467,060</u></u>	<u><u>\$7,679,691</u></u>

See accompanying notes to the basic financial statements

**City of Cortland, Ohio**  
*Statement of Cash Flows*  
*Enterprise Funds*  
For the Year Ended December 31, 2021

	Water	Sewer	Total
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$939,048	\$1,144,454	\$2,083,502
Tap In Fees	21,527	5,963	27,490
Other Operating Revenues	23,395	135	23,530
Cash Payments to Suppliers for Materials and Supplies	(73,515)	(46,470)	(119,985)
Cash Payments for Employee Services and Benefits	(408,197)	(414,131)	(822,328)
Cash Payments for Contractual Services	(278,469)	(429,606)	(708,075)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>223,789</u>	<u>260,345</u>	<u>484,134</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from Sale of Capital Assets	3,859	3,859	7,718
OPWC Loans Issued	58,913	0	58,913
Principal Paid on OPWC Loans	(211,799)	0	(211,799)
Principal Paid on OWDA Loans	(59,713)	0	(59,713)
Interest Paid on OWDA Loans	(22,766)	0	(22,766)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(231,506)</u>	<u>3,859</u>	<u>(227,647)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(7,717)	264,204	256,487
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>769,072</u>	<u>969,353</u>	<u>1,738,425</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$761,355</u></u>	<u><u>\$1,233,557</u></u>	<u><u>\$1,994,912</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>			
Operating Income (Loss)	<u>\$308,558</u>	<u>\$268,397</u>	<u>\$576,955</u>
Adjustments:			
Depreciation	212,081	179,388	391,469
(Increase) Decrease in Assets and Deferred Outflows:			
Accounts Receivable	5,288	8,406	13,694
Prepaid Items	(4,080)	245	(3,835)
Net Pension Asset	1,753	1,753	3,506
Net OPEB Asset	(117,997)	(117,997)	(235,994)
Deferred Outflow - Pension	50,058	50,053	100,111
Deferred Outflow - OPEB	25,377	25,374	50,751
Increase (Decrease) in Liabilities and Deferred Inflows:			
Accounts Payable	5,899	1,394	7,293
Contracts Payable	(117,674)	0	(117,674)
Accrued Wages	4,410	4,524	8,934
Intergovernmental Payable	2,088	(9,220)	(7,132)
Compensated Absences Payable	2,400	2,400	4,800
Net Pension Liability	(1,157)	(1,157)	(2,314)
Deferred Inflows - Pension	(86,882)	(86,882)	(173,764)
Deferred Inflows - OPEB	(66,333)	(66,333)	(132,666)
<i>Total Adjustments</i>	<u>(84,769)</u>	<u>(8,052)</u>	<u>(92,821)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>\$223,789</u></u>	<u><u>\$260,345</u></u>	<u><u>\$484,134</u></u>

**Noncash Capital Financing Activities**

During 2021, the water and sewer funds paid \$9,958 and \$9,958 respectively, on behalf of the governmental funds for building improvements.

See accompanying notes to the basic financial statements

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 1 - Reporting Entity**

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

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

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

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

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

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

**Note 2 - Summary of Significant Accounting Policies**

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

***Basis of Presentation***

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

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

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2021*

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

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

***Fund Accounting***

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

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

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

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

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

***Fire Capital Improvement Fund*** The fire capital improvement capital projects fund is used to account for and report restricted property taxes and lease proceeds for fire capital purchases.

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

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2021*

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

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

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

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

**Measurement Focus**

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

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

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

**Basis of Accounting**

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

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2021*

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

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

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2021, but which were levied to finance 2022 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, local permissive taxes, charges for services and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13)

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

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



**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2021*

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***Pensions/Other Postemployment Benefits (OPEB)***

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

***Cash and Cash Equivalents***

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

The City also has a bank account for monies held from the City's central bank account related to the unreleased lease proceeds for the fire truck lease. The balance in this account is presented on the financial statements as "cash and cash equivalents with fiscal agents".

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2021 amounted to \$24,280 which includes \$18,741 assigned from other City funds.

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

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2021, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

***Capital Assets***

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

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

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2021*

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

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

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

***Interfund Balances***

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

***Compensated Absences***

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

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

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

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



**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2021*

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

***Fund Balance***

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

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

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

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

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

***Assigned:*** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance or by State Statute. State statute authorizes the Finance Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenues and appropriations in 2022's budget.

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2021*

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***Unassigned:*** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

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

***Net Position***

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

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

***Internal Activity***

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

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

***Operating Revenues and Expenses***

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

***Unearned Revenue***

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The City recognizes unearned revenue for intergovernmental revenue from grants received before the eligibility requirements are met.

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2021*

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***Estimates***

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

***Budgetary Process***

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

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

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

**Note 3 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2021

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

Net Change in Fund Balances

	General	Police Levy	Fire Levy
GAAP Basis	\$125,298	(\$78,212)	\$13,314
Net Adjustments for Revenue Accruals	(1,113)	(30)	(12,952)
Net Adjustments for Expenditure Accruals	10,874	16,953	9,099
Budget Basis	<u>\$135,059</u>	<u>(\$61,289)</u>	<u>\$9,461</u>

**Note 4 - Fund Balances**

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

Fund Balances	General	Police Levy	Fire Levy	Fire Capital Improvement	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>						
Prepays	\$7,757	\$3,946	\$5,494	\$0	\$1,921	\$19,118
<b><i>Restricted for</i></b>						
Public Safety	0	137,335	722,114	0	311	859,760
Street Maintenance	0	0	0	0	556,795	556,795
Community Improvement	0	0	0	0	126,570	126,570
Capital Improvements	0	0	0	755,856	0	755,856
<i>Total Restricted</i>	<u>0</u>	<u>137,335</u>	<u>722,114</u>	<u>755,856</u>	<u>683,676</u>	<u>2,298,981</u>
<b><i>Committed to</i></b>						
Capital Improvements	0	0	0	0	1,000	1,000
<b><i>Assigned to</i></b>						
2022 Operations	1,034,797	0	0	0	0	1,034,797
<b><i>Unassigned</i></b>						
	7,134	0	0	0	0	7,134
<i>Total Fund Balances</i>	<u>\$1,049,688</u>	<u>\$141,281</u>	<u>\$727,608</u>	<u>\$755,856</u>	<u>\$686,597</u>	<u>\$3,361,030</u>

**Note 5 - Deposits**

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

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

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2021*

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

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

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

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

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

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2021*

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

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

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

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

**Note 6 - Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2021 for real and public utility property taxes represents collections of 2020 taxes.

2021 real property taxes were levied after October 1, 2021, on the assessed value as of January 1, 2021, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2021 real property taxes are collected in and intended to finance 2022.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2021 public utility property taxes which became a lien December 31, 2020, are levied after October 1, 2021, and are collected in 2022 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2021, was \$24.96 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2021 property tax receipts were based are as follows:

Real Property	\$151,698,850
Public Utility Personal Property	<u>2,777,130</u>
Total	<u><u>\$154,475,980</u></u>

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2021*

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The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2021, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2021 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

**Note 7 - Receivables**

Receivables at December 31, 2021, primarily consisted of taxes, accounts (billings for user charged services including unbilled utility services) and intergovernmental receivables arising from grants, entitlements and shared revenues.

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

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Gasoline Tax	\$217,398
Homestead and Rollback	171,609
Local Government	63,148
Auto License	37,797
Trumbull County Central District Court	53
Total	<u>\$490,005</u>

**Note 8 - Contingencies**

***Grants***

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2021.

***Litigation***

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



**City of Cortland, Ohio**  
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**Note 9 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2021, the City contracted with several companies for various types of insurance as follows:

Public Entities Pool of Ohio	Commercial Automobile	\$2,000,000
	Public Officials Liability	2,000,000
	Commercial Property	9,735,901
	Inland Marine	1,564,410
	Employee Dishonesty	10,000
	Forgery	10,000
	Theft, Disappearance and Destruction:	10,000
Cincinnati Insurance Company	Bonds - Employees and Officials	25,000

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

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

**Note 10 - Long-term Obligations**

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

Debt Issue	Interest Rate	Original Issue Amount	Year of Maturity
<b>Business-Type Activities</b>			
<i>Ohio Public Works Commission Loans</i>			
<i>from Direct Borrowings:</i>			
Southern Waterline - 2007	0%	328,900	2028
North High Street II Waterline - 2009	0%	482,800	2030
Willow Park Tank Replacement - 2009	0%	878,000	2032
North Wellfield Interconnect - 2011	0%	264,768	2032
Downtown Waterline Replacement - 2013	0%	417,800	2034
Downtown Waterline Replacement Phase II - 2014	0%	407,996	2036
Downtown Waterline Replacement Phase III - 2015	0%	325,759	2037
South Mecca Waterline Replacement - 2016	0%	599,756	2039
North Mecca Waterline Replacement - 2019	0%	570,672	2041
Cedar Drive Waterline Replacement - 2019	0%	244,850	2040
<i>Ohio Water Development Authority Loan</i>			
<i>from Direct Borrowings:</i>			
Water Storage Tank - 2010	3.20%	1,233,794	2031
<b>Governmental Activities</b>			
<i>General Obligation Bonds from Direct Placements:</i>			
Vehicle Acquisition Bonds, Series 2018	3.29%	138,075	2021
Ambulance Acquisition Bonds, Series 2017	2.56%	136,000	2021
<i>Ohio Public Works Commission Loans</i>			
<i>from Direct Borrowings:</i>			
South Colonial Storm Sewer - 2014	0%	301,835	2034



**City of Cortland, Ohio**  
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Changes in long-term obligations of the City during 2021 were as follows:

	Outstanding 12/31/2020	Additions	Reductions	Outstanding 12/31/2021	Due Within One Year
<b>Business Type Activities</b>					
<b>OPWC Loans from Direct Borrowings</b>					
Southern Waterline	\$123,337	\$0	\$16,445	\$106,892	\$16,445
North High Street II Waterline	241,400	0	24,140	217,260	24,140
Willow Park Tank Replacement	526,800	0	43,900	482,900	43,900
North Wellfield Interconnect	158,861	0	13,238	145,623	13,239
Downtown Waterline Replacement	292,460	0	20,890	271,570	20,890
Downtown Waterline Replacement Phase II	316,197	0	20,400	295,797	20,400
Downtown Waterline Replacement Phase III	268,751	0	16,288	252,463	16,288
South Mecca Waterline Replacement	554,774	0	29,988	524,786	29,988
North Mecca Waterline Replacement	511,759	58,913	14,267	556,405	28,534
Cedar Drive Waterline Replacement	244,850	0	12,243	232,607	12,242
<i>Total OPWC Loans</i>	<u>3,239,189</u>	<u>58,913</u>	<u>211,799</u>	<u>3,086,303</u>	<u>226,066</u>
<b>OWDA Loans from Direct Borrowings</b>					
Water Storage Tank	773,718	0	59,713	714,005	61,639
<b>Other Long-Term Liabilities</b>					
Net Pension Liability OPERS:					
Water	321,551	0	105,834	215,717	0
Sewer	321,551	0	105,834	215,717	0
<i>Total Net Pension Liability</i>	<u>643,102</u>	<u>0</u>	<u>211,668</u>	<u>431,434</u>	<u>0</u>
Net OPEB Liability OPERS:					
Water	214,757	0	214,757	0	0
Sewer	214,757	0	214,757	0	0
<i>Total Net OPEB Liability</i>	<u>429,514</u>	<u>0</u>	<u>429,514</u>	<u>0</u>	<u>0</u>
Compensated Absences	51,342	13,398	8,598	56,142	18,142
<i>Total Business Type Activities</i>	<u>\$5,136,865</u>	<u>\$72,311</u>	<u>\$921,292</u>	<u>\$4,287,884</u>	<u>\$305,847</u>
<b>Governmental Type Activities</b>					
<b>General Obligation Bonds</b>					
<b>from Direct Placements</b>					
Vehicle Acquisition Bonds, Series 2018	\$35,805	\$0	\$35,805	\$0	\$0
Ambulance Acquisition Bonds, Series 2017	99,700	0	99,700	0	0
<i>Total General Obligation Bonds</i>	<u>135,505</u>	<u>0</u>	<u>135,505</u>	<u>0</u>	<u>0</u>
<b>OPWC Loans from Direct Borrowings</b>					
South Colonial Storm Sewer	211,284	0	15,092	196,192	15,092
<b>Net Pension Liability</b>					
OPERS	593,637	0	195,388	398,249	0
OP&F	3,428,120	203,501	0	3,631,621	0
<i>Total Net Pension Liability</i>	<u>4,021,757</u>	<u>203,501</u>	<u>195,388</u>	<u>4,029,870</u>	<u>0</u>
<b>Net OPEB Liability</b>					
OPERS	396,481	0	396,481	0	0
OP&F	502,663	61,766	0	564,429	0
<i>Total Net OPEB Liability</i>	<u>899,144</u>	<u>61,766</u>	<u>396,481</u>	<u>564,429</u>	<u>0</u>
<b>Other Long-Term Liabilities</b>					
Capital Lease	0	589,937	0	589,937	80,151
Compensated Absences	325,148	72,742	66,608	331,282	76,886
<i>Total Governmental Type Activities</i>	<u>\$5,592,838</u>	<u>\$927,946</u>	<u>\$809,074</u>	<u>\$5,711,710</u>	<u>\$172,129</u>

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2021*

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

On August 20, 2018, the City issued \$138,075 in vehicle acquisition bonds through direct placement for the purpose of acquiring and equipping police cruisers. The bonds were issued at an interest rate of 3.29 percent. The bonds were fully paid off during 2021.

On November 29, 2017, the City issued \$136,000 in ambulance acquisition bonds through direct placement for the purpose of acquiring an ambulance. The bonds were issued at an interest rate of 2.56 percent. The bonds were fully paid off during 2021.

The City's outstanding OPWC loans from direct borrowings of \$3,086,303 related to business-type activities and \$196,192 related to governmental activities contain provisions that in the event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

The City's outstanding OWDA loans from direct borrowings of \$714,005 related to business-type activities contain provisions that in the event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

**City of Cortland, Ohio**  
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The City's overall legal debt margin was \$16,023,786 at December 31, 2021. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2021, are as follows:

*Business Type Activities*

Year	From Direct Borrowings		
	OPWC Loans	OWDA Loan	
	Principal	Principal	Interest
2022	\$226,066	\$61,639	\$20,961
2023	226,066	63,627	19,097
2024	226,066	65,679	17,173
2025	226,066	67,798	15,187
2026	226,067	69,985	13,137
2027-2031	1,048,630	385,277	32,542
2032-2036	646,862	0	0
2037-2041	260,480	0	0
Total	\$3,086,303	\$714,005	\$118,097

*Governmental Activities*

Year	From Direct
	Borrowings
	OPWC Loans
Principal	
2022	\$15,092
2023	15,092
2024	15,092
2025	15,092
2026	15,092
2027-2031	75,459
2032-2036	45,273
Total	\$196,192

**City of Cortland, Ohio**  
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**Note 11 - Capital Assets**

Capital asset activity for the year ended December 31, 2021, was as follows:

	Balance 12/31/20	Additions	Reductions	Balance 12/31/21
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$17,576	\$0	\$0	\$17,576
Construction in progress	56,809	31,602	0	88,411
Total capital assets not being depreciated	74,385	31,602	0	105,987
Capital assets being depreciated				
Buildings and Improvements	1,160,411	29,875	0	1,190,286
Furniture, Fixtures and Equipment	1,122,873	133,396	(8,098)	1,248,171
Vehicles	1,679,855	125,943	(44,038)	1,761,760
Infrastructure:				
Roads	4,794,638	296,606	(207,539)	4,883,705
Storm Sewers	2,211,693	0	0	2,211,693
Sidewalks	1,054,282	0	0	1,054,282
Curbs	829,353	0	0	829,353
Total capital assets being depreciated	12,853,105	585,820	(259,675)	13,179,250
Accumulated depreciation				
Buildings and Improvements	(719,454)	(26,535)	0	(745,989)
Furniture, Fixtures and Equipment	(692,634)	(81,340)	8,098	(765,876)
Vehicles	(1,046,065)	(95,588)	38,774	(1,102,879)
Infrastructure:				
Roads	(3,304,289)	(315,925)	206,868	(3,413,346)
Storm Sewers	(441,222)	(44,234)	0	(485,456)
Sidewalks	(208,832)	(26,357)	0	(235,189)
Curbs	(170,248)	(16,587)	0	(186,835)
Total accumulated depreciation	(6,582,744)	(606,566) *	253,740	(6,935,570)
Capital assets being depreciated, net	6,270,361	(20,746)	(5,935)	6,243,680
Governmental activities capital assets, net	\$6,344,746	\$10,856	(\$5,935)	\$6,349,667

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

General Government	\$77,807
Security of Persons and Property	142,351
Transportation	341,892
Basic Utility Services	44,516
Total	<u>\$606,566</u>

**City of Cortland, Ohio**  
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	Balance 12/31/20	Additions	Reductions	Balance 12/31/21
Business type Activities:				
Capital assets not being depreciated				
Land	\$45,087	\$0	\$0	\$45,087
Capital assets being depreciated				
Furniture, Fixtures and Equipment	285,420	0	0	285,420
Vehicles	446,721	0	(26,488)	420,233
Infrastructure:				
Water Lines	10,270,213	0	0	10,270,213
Sewer Lines	9,149,575	0	0	9,149,575
Total capital assets being depreciated	20,151,929	0	(26,488)	20,125,441
Accumulated depreciation				
Furniture, Fixtures and Equipment	(194,924)	(12,799)	0	(207,723)
Vehicles	(313,997)	(16,150)	26,488	(303,659)
Infrastructure:				
Water Lines	(3,786,980)	(198,155)	0	(3,985,135)
Sewer Lines	(5,735,001)	(164,365)	0	(5,899,366)
Total accumulated depreciation	(10,030,902)	(391,469)	26,488	(10,395,883)
Capital assets being depreciated, net	10,121,027	(391,469)	0	9,729,558
Business type Activities capital assets, net	\$10,166,114	(\$391,469)	\$0	\$9,774,645

**Note 12 – Defined Benefit Pension Plans**

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

***Net Pension Liability (Asset) /Net OPEB Liability (Asset)***

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

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

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2021*

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

For 2021, the City’s contractually required contribution was \$108,817 for the traditional plan, \$0 for the combined plan and \$1,020 for the member-directed plan. Of these amounts, \$7,632 is reported as an intergovernmental payable for the traditional plan, \$0 for the combined plan, and \$72 for the member-directed plan.

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

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



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

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

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

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

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0% or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

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

	Police	Firefighters
<b>2021 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
<b>2021 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OP&F was \$293,406 for 2021. Of this amount, \$19,161 is reported as an intergovernmental payable.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F’s total pension liability was measured as of December 31, 2020, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. The City’s proportion of the net pension liability (asset) was based on the City’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City’s defined benefit pension plans:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.005603%	0.000000%	0.0532723%	
Prior Measurement Date	0.006257%	0.003235%	0.0508885%	
Change in Proportionate Share	-0.000654%	-0.003235%	0.0023838%	
Proportionate Share of the:				
Net Pension Liability	\$829,683	\$0	\$3,631,621	\$4,461,304
Pension Expense	(1,498)	6,452	285,698	290,652

2021 pension expense for the member-directed defined contribution plan was \$1,020. The aggregate pension expense for all pension plans was \$291,672 for 2021.

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At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS		Total
	Traditional Plan	OP&F	
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$0	\$151,814	\$151,814
Changes of assumptions	0	60,904	60,904
Changes in proportion and differences between City contributions and proportionate share of contributions	14,633	222,326	236,959
City contributions subsequent to the measurement date	108,817	293,406	402,223
<b>Total Deferred Outflows of Resources</b>	<b>\$123,450</b>	<b>\$728,450</b>	<b>\$851,900</b>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$34,706	\$141,477	\$176,183
Net difference between projected and actual earnings on pension plan investments	323,386	176,157	499,543
Changes in proportion and differences between City contributions and proportionate share of contributions	90,051	267,899	357,950
<b>Total Deferred Inflows of Resources</b>	<b>\$448,143</b>	<b>\$585,533</b>	<b>\$1,033,676</b>

\$402,223 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS		Total
	Traditional Plan	OP&F	
Year Ending December 31:			
2022	(\$181,614)	(\$27,992)	(\$209,606)
2023	(75,967)	66,059	(9,908)
2024	(131,823)	(195,523)	(327,346)
2025	(44,106)	(15,101)	(59,207)
2026	0	22,068	22,068
Thereafter	0	0	0
<b>Total</b>	<b>(\$433,510)</b>	<b>(\$150,489)</b>	<b>(\$583,999)</b>

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***Actuarial Assumptions – OPERS***

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

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2020, 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, 2020, are presented as follows:

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	.5 percent, simple through 2021, then 2.15 percent, simple	.5 percent, simple through 2021, then 2.15 percent, simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

In October 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.4 percent simple through 2020 then 2.15 simple to .5 percent simple through 2021 then 2.15 percent simple.

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

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

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real

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rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board’s investment consultant. For each major asset class that is included in the Defined Benefit portfolio’s target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.32 %
Domestic Equities	21.00	5.64
Real Estate	10.00	5.39
Private Equity	12.00	10.42
International Equities	23.00	7.36
Other investments	9.00	4.75
Total	<u>100.00 %</u>	<u>5.43 %</u>

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

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

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability (asset):			
OPERS Traditional Plan	\$1,582,623	\$829,683	\$203,613

**Changes between the Measurement Date and the Reporting Date** During 2021, the OPERS Board lowered the investment rate of return from 7.2 percent to 6.9 along with certain other changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

**Actuarial Assumptions – OP&F**

OP&F’s total pension liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about

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

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2020, are presented as follows:

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. 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.

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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, 2020, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
<b>Total</b>	<b>125.00 %</b>	

Note: Assumptions are geometric.

\* levered 2.5x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$5,055,681	\$3,631,621	\$2,439,826



**City of Cortland, Ohio**  
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**Note 13 - Defined Benefit OPEB Plans**

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

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

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS will discontinue 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 an HRA 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. These changes are reflected in the December 31, 2020, measurement date health care valuation.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible



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after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced later for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2021 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$408 for 2021. Of this amount, \$29 is reported as an intergovernmental payable.

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

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

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

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

OP&F maintains funds for health care in two separate accounts: 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. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$6,970 for 2021. Of this amount, \$457 is reported as an intergovernmental payable.

**City of Cortland, Ohio**  
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***OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, 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 (asset) was measured as of December 31, 2020, and was determined by rolling forward the total OPEB liability (asset) as of January 1, 2020, to December 31, 2020. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.005271%	0.0532723%	
Prior Measurement Date	<u>0.005980%</u>	<u>0.0508885%</u>	
Change in Proportionate Share	<u>-0.000709%</u>	<u>0.0023838%</u>	
Proportionate Share of the:			
Net OPEB Asset	(\$93,908)	\$0	(\$93,908)
Net OPEB Liability	\$0	\$564,429	\$564,429
OPEB Expense	(\$588,877)	\$73,791	(\$515,086)

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Changes of assumptions	\$46,165	\$311,816	\$357,981
Changes in proportion and differences between City contributions and proportionate share of contributions	8,645	115,580	124,225
City contributions subsequent to the measurement date	<u>408</u>	<u>6,970</u>	<u>7,378</u>
Total Deferred Outflows of Resources	<u>\$55,218</u>	<u>\$434,366</u>	<u>\$489,584</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$84,751	\$93,101	\$177,852
Changes of assumptions	152,158	89,980	242,138
Net difference between projected and actual earnings on OPEB plan investments	50,016	20,975	70,991
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>59,790</u>	<u>30,341</u>	<u>90,131</u>
Total Deferred Inflows of Resources	<u>\$346,715</u>	<u>\$234,397</u>	<u>\$581,112</u>

**City of Cortland, Ohio**  
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\$7,378 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 or an increase to the net OPEB asset in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2022	(\$153,635)	\$43,320	(\$110,315)
2023	(110,641)	48,287	(62,354)
2024	(21,735)	40,456	18,721
2025	(5,894)	43,153	37,259
2026	0	7,553	7,553
Thereafter	0	10,230	10,230
Total	(\$291,905)	\$192,999	(\$98,906)

***Actuarial Assumptions – OPERS***

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	6.00 percent
Prior Measurement date	3.16 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.00 percent
Prior Measurement date	2.75 percent
Health Care Cost Trend Rate:	
Current measurement date	8.5 percent, initial 3.50 percent, ultimate in 2035
Prior Measurement date	10.5 percent, initial 3.50 percent, ultimate in 2030
Actuarial Cost Method	Individual Entry Age

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

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

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by OPERS investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trust	7.00	6.48
International Equities	25.00	7.36
Other investments	9.00	4.02
Total	100.00 %	4.43 %

**Discount Rate** A single discount rate of 6.0 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.00 percent (Fidelity Index's "20-Year Municipal GO AA Index"). 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 2120. As a result,

**City of Cortland, Ohio**  
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the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

***Sensitivity of the City’s Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate*** The following table presents the City’s proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 6.00 percent, as well as what the City’s proportionate share of the net OPEB liability (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 (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
City's proportionate share of the net OPEB liability (asset)	(\$23,351)	(\$93,908)	(\$151,910)

***Sensitivity of the City’s Proportionate Share of the Net OPEB Liability (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 liability (asset). The following table presents the net OPEB liability (asset) calculated using the assumed trend rates, and the expected net OPEB liability (asset) if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability (asset)	(\$96,196)	(\$93,908)	(\$91,346)

***Changes between the Measurement Date and the Reporting Date*** During 2021, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

***Actuarial Assumptions – OP&F***

OP&F’s total OPEB liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.



**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2021*

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

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

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

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Blended discount rate:	
Current measurement date	2.96 percent
Prior measurement date	3.56 percent
Cost of Living Adjustments	2.2 percent simple

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

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

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

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

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

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

**City of Cortland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2021*

**Discount Rate** For 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.12 percent at December 31, 2020 and 2.75 percent at December 31, 2019, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 2.96 percent for 2020 and 3.56 percent for 2019. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 2.96 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 (1.96 percent), or one percentage point higher (3.96 percent) than the current rate.

	1% Decrease (1.96%)	Current Discount Rate (2.96%)	1% Increase (3.96%)
City's proportionate share of the net OPEB liability	\$703,810	\$564,429	\$449,455

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

**Note 14 - Compensated Absences**

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

**Note 15 - Jointly Governed Organization**

***Eastgate Regional Council of Governments***

The Eastgate Regional Council of Governments (ERCG) is a jointly governed organization that is committed to fostering cooperative regional efforts in the planning, programming and implementation of public sector activities. ERCG has forty-eight participating members. These include representatives from Trumbull County and Mahoning County, township trustees and officials from participating cities and villages. The operation of



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ERCG is controlled by a general policy board which consists of a representative from each participant. Each member's degree of control is limited to its representation on the board. Funding comes from each of the participants. For 2021, the City contributed \$15,986 to the Eastgate Regional Council of Governments. For more information contact John R. Getchey, executive director, at 5121 Mahoning Avenue, Youngstown, Ohio 44515.

**Note 16 – Capital Leases**

In 2021, the City entered into a lease agreement for a fire truck. The lease agreement for the fire truck identified Bank of America as the fiscal agent for the lease proceeds (\$589,937). As of December 31, 2021 the City has not drawn down proceeds in the escrow account leaving a balance of \$589,937. The City's lease obligation meets the criteria of a capital lease and has been recorded on the government-wide statements.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and present value of the minimum lease payments is as follows:

	Governmental Activities
2022	\$90,856
2023	90,857
2024	90,856
2025	90,856
2026	90,856
2027 - 2028	181,713
Total Minimum Lease Payments	635,994
Less: Amount representing interest	(46,057)
Present Value of Minimum Lease Payments	\$589,937

**Note 17 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the City received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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## Required Supplementary Information

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

	2021	2020	2019	2018
City's Proportion of the Net Pension Liability	0.005603%	0.006257%	0.005946%	0.005745%
City's Proportionate Share of the Net Pension Liability	\$829,683	\$1,236,739	\$1,628,489	\$901,279
City's Covered Payroll	\$832,171	\$880,350	\$803,157	\$759,254
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	99.70%	140.48%	202.76%	118.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.88%	82.17%	74.70%	84.66%

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

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

See accompanying notes to the required supplementary information.

2017	2016	2015	2014
0.005921%	0.005954%	0.006308%	0.006308%
\$1,344,558	\$1,031,310	\$760,815	\$743,631
\$765,400	\$741,033	\$773,317	\$652,100
175.67%	139.17%	98.38%	114.04%
77.25%	81.08%	86.45%	86.36%

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

	2021	2020	2019	2018
City's Proportion of the Net Pension Asset	0.000000%	0.003235%	0.003237%	0.004472%
City's Proportionate Share of the Net Pension Asset	\$0	\$6,744	\$3,621	\$6,089
City's Covered Payroll	\$0	\$14,400	\$13,843	\$18,315
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	0.00%	-46.83%	-26.16%	-33.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	157.67%	145.28%	126.64%	137.28%

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

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

(2) Beginning in 2021 (measurement year 2020), the City did not have any employees participating in the OPERS Combined Plan.

See accompanying notes to the required supplementary information.

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

	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB (Asset) Liability	0.005271%	0.005980%	0.005705%	0.005560%	0.005770%
City's Proportionate Share of the Net OPEB (Asset) Liability	(\$93,908)	\$825,995	\$743,797	\$603,775	\$582,790
City's Covered Payroll	\$842,371	\$903,550	\$827,400	\$787,169	\$797,942
City's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	-11.15%	91.42%	89.90%	76.70%	73.04%
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset) Liability	115.57%	47.80%	46.33%	54.14%	54.04%

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

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

See accompanying notes to the required supplementary information.

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

	2021	2020	2019	2018
City's Proportion of the Net Pension Liability	0.0532723%	0.0508885%	0.0569100%	0.0537440%
City's Proportionate Share of the Net Pension Liability	\$3,631,621	\$3,428,120	\$4,645,360	\$3,298,513
City's Covered Payroll	\$1,443,152	\$1,068,144	\$1,295,614	\$1,149,749
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	251.65%	320.94%	358.55%	286.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.65%	69.89%	63.07%	70.91%

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

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

See accompanying notes to the required supplementary information.

2017	2016	2015	2014
0.0534300%	0.0549470%	0.0569253%	0.0569253%
\$3,384,202	\$3,534,779	\$2,948,968	\$2,772,441
\$1,186,883	\$1,104,393	\$1,117,497	\$1,002,768
285.13%	320.07%	263.89%	276.48%
68.36%	66.77%	71.71%	73.00%



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

	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.0532723%	0.0508885%	0.0569100%	0.0537440%	0.0534300%
City's Proportionate Share of the Net OPEB Liability	\$564,429	\$502,663	\$518,253	\$3,045,060	\$2,536,202
City's Covered Payroll	\$1,443,152	\$1,068,144	\$1,295,614	\$1,149,749	\$1,186,883
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	39.11%	47.06%	40.00%	264.85%	213.69%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	45.40%	47.08%	46.57%	14.13%	15.96%

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

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

See accompanying notes to the required supplementary information.

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

	2021	2020	2019
<b>Net Pension Liability - Traditional Plan</b>			
Contractually Required Contribution	\$108,817	\$116,504	\$123,249
Contributions in Relation to the Contractually Required Contribution	<u>(108,817)</u>	<u>(116,504)</u>	<u>(123,249)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$777,264	\$832,171	\$880,350
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net Pension Liability - Combined Plan</b>			
Contractually Required Contribution	\$0	\$0	\$2,016
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>(2,016)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$0	\$0	\$14,400
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability - OPEB Plan (2)</b>			
Contractually Required Contribution	\$408	\$408	\$352
Contributions in Relation to the Contractually Required Contribution	<u>(408)</u>	<u>(408)</u>	<u>(352)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (3)	\$787,464	\$842,371	\$903,550
OPEB Contributions as a Percentage of Covered Payroll	<u>0.05%</u>	<u>0.05%</u>	<u>0.04%</u>

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

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

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

See accompanying notes to the required supplementary information.

2018	2017	2016	2015	2014	2013
\$112,442	\$98,703	\$91,848	\$88,924	\$92,798	\$84,773
(112,442)	(98,703)	(91,848)	(88,924)	(92,798)	(84,773)
\$0	\$0	\$0	\$0	\$0	\$0
\$803,157	\$759,254	\$765,400	\$741,033	\$773,317	\$652,100
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
\$1,938	\$2,381	\$2,897	\$1,657	\$1,902	\$1,738
(1,938)	(2,381)	(2,897)	(1,657)	(1,902)	(1,738)
\$0	\$0	\$0	\$0	\$0	\$0
\$13,843	\$18,315	\$24,142	\$13,808	\$15,850	\$13,369
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
\$416	\$8,160	\$16,127			
(416)	(8,160)	(16,127)			
\$0	\$0	\$0			
\$827,400	\$787,169	\$797,942			
0.05%	1.04%	2.02%			

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

	2021	2020	2019	2018
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$293,406	\$305,691	\$227,814	\$273,674
Contributions in Relation to the Contractually Required Contribution	<u>(293,406)</u>	<u>(305,691)</u>	<u>(227,814)</u>	<u>(273,674)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$1,394,126	\$1,443,152	\$1,068,144	\$1,295,614
Pension Contributions as a Percentage of Covered Payroll	<u>21.05%</u>	<u>21.18%</u>	<u>21.33%</u>	<u>21.12%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$6,970	\$7,216	\$5,341	\$6,478
Contributions in Relation to the Contractually Required Contribution	<u>(6,970)</u>	<u>(7,216)</u>	<u>(5,341)</u>	<u>(6,478)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.55%</u>	<u>21.68%</u>	<u>21.83%</u>	<u>21.62%</u>

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

See accompanying notes to the required supplementary information.

2017	2016	2015	2014	2013	2012
\$244,327	\$253,394	\$235,730	\$238,229	\$181,676	\$153,278
<u>(244,327)</u>	<u>(253,394)</u>	<u>(235,730)</u>	<u>(238,229)</u>	<u>(181,676)</u>	<u>(153,278)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,149,749	\$1,186,883	\$1,104,393	\$1,117,497	\$1,002,768	\$1,012,026
<u>21.25%</u>	<u>21.35%</u>	<u>21.34%</u>	<u>21.32%</u>	<u>18.12%</u>	<u>15.15%</u>
\$5,749	\$5,934	\$5,522	\$5,587	\$36,267	\$68,312
<u>(5,749)</u>	<u>(5,934)</u>	<u>(5,522)</u>	<u>(5,587)</u>	<u>(36,267)</u>	<u>(68,312)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>3.62%</u>	<u>6.75%</u>
<u>21.75%</u>	<u>21.85%</u>	<u>21.84%</u>	<u>21.82%</u>	<u>21.74%</u>	<u>21.90%</u>

**City of Cortland, Ohio**  
**Notes to the Required Supplementary Information**  
**For the year ended December 31, 2021**

**Changes in Assumptions – OPERS Pension– Traditional Plan**

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

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

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

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

2021	0.5 percent, simple through 2021 then 2.15 percent, simple
2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple

Amounts reported beginning in 2017 use pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

**City of Cortland, Ohio**  
**Notes to the Required Supplementary Information**  
**For the year ended December 31, 2021**

**Changes in Assumptions – OPERS Pension – Combined Plan**

For 2021 and 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013 retirees as the Traditional Plan. For 2019, the investment rate of return changed from 7.5 percent to 7.2 percent.

**Changes in Assumptions – OP&F Pension**

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

	Beginning in 2018	2017 and Prior
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent

Amounts reported beginning in 2018 use valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

Amounts reported beginning in 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent Modified 2016 Improvement Scale.

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

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



**City of Cortland, Ohio**  
**Notes to the Required Supplementary Information**  
**For the year ended December 31, 2021**

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**Changes in Assumptions – OPERS OPEB**

Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2021	8.5 percent, initial 3.5 percent, ultimate in 2035
2020	10.5 percent, initial 3.5 percent, ultimate in 2030
2019	10.0 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028

**Changes in Assumptions – OP&F OPEB**

Blended Discount Rate:	
2021	2.96 percent
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

**Changes in Benefit Terms – OPERS OPEB**

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-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 non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in 2021.

**Changes in Benefit Terms – OP&F OPEB**

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



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CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S 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***

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

To the Members of City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cortland, Trumbull County (the City), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the City's financial statements and have issued our report thereon dated September 26, 2023, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. Also, the Organization adopted new accounting guidance in Governmental Accounting Standards Board Statement 87, "*Leases*".

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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



**CANTER & ASSOCIATES**

Poland, Ohio

September 26, 2023



# City of Cortland

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2022 and 2021

Finding Number	Finding Summary	Status	Additional Information
2020-001	Capital Asses	Corrected	
2020-002	Reporting of Oh-Behalf Projects	Corrected	
2020-003	Employee Overpayment-Finding for Recovery Repaid Under Audit	Corrected	

# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF CORTLAND**

**TRUMBULL COUNTY**

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

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



**Certified for Release 11/16/2023**

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