OHIO AUDITOR OF STATE
KEITH FABER

CITY OF EATON
PREBLE COUNTY
DECEMBER 31, 2022

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PREBLE COUNTY
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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

City of Eaton
Preble County
328 North Maple Street
P.O. Box 27
Eaton, Ohio 45320

To the City Council:

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eaton, Preble County, Ohio as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Public Safety, and State and Local Fiscal Recovery Funds for the year then ended 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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, 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.

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'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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 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.

Keith Faber
Auditor of State
Columbus, Ohio

December 4, 2023

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This discussion and analysis of the City of Eaton's financial performance provides an overall review of the City's financial activities for the fiscal 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 should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2022 are as follows:

- In total, net position increased $3,955,724. Net position of governmental activities increased $3,063,651, which represents a 15% change from 2021. Net position of business-type activities increased $892,073, or approximately 10% from 2021.

- General revenues accounted for $8,189,885 in revenue or 54% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $6,989,615, or 46% of total revenues of $15,179,500.

- The City had $7,454,058 in expenses related to governmental activities; only $2,327,824 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues of $8,189,885 were adequate to provide for these programs.

- Among major funds, the general fund had $3,557,012 in revenues and $2,019,505 in expenditures. The general fund's fund balance increased from a balance of $2,728,551 to $3,586,058.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. <u>*The Government-Wide Financial Statements*</u> – These statements provide both long-term and short-term information about the City's overall financial status.

2. <u>*The Fund Financial Statements*</u> – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities, and deferred outflows/inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net-position is one way to measure the City's financial health.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets.

The government-wide financial statements of the City are divided into two categories:

- *Governmental Activities* – Most of the City's program's and services are reported here including public safety, public health, culture and recreation, community development, transportation and general government.

- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer, refuse and parking services are reported as business-type activities.

Fund Financial Statements

Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole.

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

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The proprietary fund financial statements provide separate information for the Water, Sewer, Refuse and Parking funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net position for 2022 compared to 2021.

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	$15,208,769	$13,436,640	$3,334,146	$3,313,590	$18,542,915	$16,750,230
Net OPEB Asset	443,076	250,864	182,001	102,917	625,077	353,781
Capital Assets, Net	16,078,944	15,722,148	9,650,002	9,466,082	25,728,946	25,188,230
Total Assets	31,730,789	29,409,652	13,166,149	12,882,589	44,896,938	42,292,241
Deferred Outflows of Resources	2,407,222	1,969,594	224,177	175,518	2,631,399	2,145,112
Net Pension Liability	4,570,128	5,664,207	535,810	905,298	5,105,938	6,569,505
Net OPEB Liability	572,959	537,367		0	572,959	537,367
Long-term Liabilities	679,997	680,706	1,795,641	2,015,935	2,475,638	2,696,641
Other Liabilities	849,360	856,400	206,748	268,431	1,056,108	1,124,831
Total Liabilities	6,672,444	7,738,680	2,538,199	3,189,664	9,210,643	10,928,344
Deferred Inflows of Resources	4,162,717	3,401,367	837,126	745,515	4,999,843	4,146,882
Net Position						
Net Investment in Capital Assets	16,078,944	15,722,148	8,117,620	7,689,779	24,196,564	23,411,927
Restricted	9,531,739	8,669,329	0	0	9,531,739	8,669,329
Unrestricted	(2,307,833)	(4,152,278)	1,897,381	1,433,149	(410,452)	(2,719,129)
Total Net Position	$23,302,850	$20,239,199	$10,015,001	$9,122,928	$33,317,851	$29,362,127

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

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*.

GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows. As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

Change in Net Position – The following table shows the change in net position for 2022 compared to 2021:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Charges for Services and Sales	$1,626,118	$1,789,261	$4,361,791	$4,304,714	$5,987,909	$6,093,975
Operating Grants and Contributions	701,706	717,687	0	0	701,706	717,687
Capital Grants and Contributions	0	170,130	300,000	0	300,000	170,130
Total Program Revenues	2,327,824	2,677,078	4,661,791	4,304,714	6,989,615	6,981,792
General Revenues						
Property Taxes	637,261	653,641	0	0	637,261	653,641
Municipal Income Taxes	6,928,900	5,445,604	0	0	6,928,900	5,445,604
Intergovernmental Revenues, Unrestricted	269,068	251,695	0	0	269,068	251,695
Investment Earnings	74,863	3,489	0	0	74,863	3,489
Miscellaneous	279,793	201,992	0	0	279,793	201,992
Total General Revenues	8,189,885	6,556,421	0	0	8,189,885	6,556,421
Total Revenues	10,517,709	9,233,499	4,661,791	4,304,714	15,179,500	13,538,213
Program Expenses						
General Government	1,884,953	1,748,576	0	0	1,884,953	1,748,576
Public Safety	3,578,188	3,035,374	0	0	3,578,188	3,035,374
Public Health	134,344	100,351	0	0	134,344	100,351
Transportation	1,372,677	1,084,429	0	0	1,372,677	1,084,429
Community Development	153,205	115,590	0	0	153,205	115,590
Culture and Recreation	330,691	283,383	0	0	330,691	283,383
Water	0	0	1,366,134	1,147,509	1,366,134	1,147,509
Sewer	0	0	1,468,928	1,255,064	1,468,928	1,255,064
Refuse	0	0	933,845	786,852	933,845	786,852
Parking	0	0	811	0	811	0
Total Expenses	7,454,058	6,367,703	3,769,718	3,189,425	11,223,776	9,557,128
Total Change in Net Position	3,063,651	2,865,796	892,073	1,115,289	3,955,724	3,981,085
Beginning Net Position	20,239,199	17,373,403	9,122,928	8,007,639	29,362,127	25,381,042
Ending Net Position	$23,302,850	$20,239,199	$10,015,001	$9,122,928	$33,317,851	$29,362,127

Governmental Activities

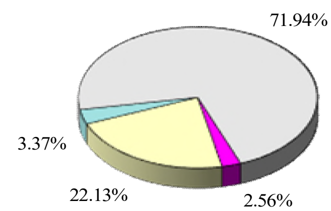
Net position of governmental activities increased $3,063,651. An increase in income tax revenues was mostly the result of an increase in employer withholding, which can be attributed to improving economic conditions. Other revenue categories were consistent with the prior year.

An overall decrease in expenses in the prior year due to changes in the net pension and net OPEB liabilities resulted in a subsequent increase in expenses in the current year.

The City receives an income tax, which is based on 1.5% of all salaries, wages, commissions and other compensation and on net profits earned from residents living within the City.

Income taxes and property taxes made up 66% and 6% respectively, of revenues for governmental activities in 2022. The City's reliance upon tax revenues is demonstrated by the following graph indicating 72% of total revenues from general tax revenues:

Revenue Sources	2022	Percent of Total
General Tax Revenues	$7,566,161	71.94%
Intergovernmental, Unrestricted	269,068	2.56%
Program Revenues	2,327,824	22.13%
General Other	354,656	3.37%
Total Revenue	$10,517,709	100.00%



Business-Type Activities

Net position of the business-type activities increased $892,073. Charges for services were consistent with the prior year. Capital grants consisted of State and Local Fiscal Recovery funding used for improvements to North Barron Street. An overall decrease in expenses in the prior year due to changes in the net pension and net OPEB liabilities resulted in a subsequent increase in expenses in the current year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of $13,002,769, which is an increase from last year's balance of $11,365,138. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2022 and 2021:

	Fund Balance December 31, 2022	Fund Balance December 31, 2021	Increase (Decrease)
General	$3,586,058	$2,728,551	$857,507
Public Safety	1,323,496	1,251,544	71,952
State and Local Fiscal Recovery	0	0	0
Capital Improvement	5,810,624	5,188,232	622,392
Nonmajor Governmental	2,282,591	2,196,811	85,780
Total	$13,002,769	$11,365,138	$1,637,631

General Fund – The City's General Fund balance change is due to several factors. The tables that follow assist in illustrating the financial activities of the General Fund:

	2022 Revenues	2021 Revenues	Increase (Decrease)
Property Taxes	$599,433	$615,508	($16,075)
Municipal Income Taxes	1,805,706	1,505,591	300,115
Intergovernmental Revenue	261,467	241,216	20,251
Charges for Services	105,859	108,481	(2,622)
Licenses and Permits	134,768	108,356	26,412
Fees, Fines and Forfeitures	443,355	542,916	(99,561)
Investment Income	74,843	3,469	71,374
All Other Revenue	131,581	127,955	3,626
Total	$3,557,012	$3,253,492	$303,520

General Fund revenues increased $303,520, or approximately 9%. An increase in income tax revenues was mostly the result of an increase in employer withholding, which can be attributed to improving economic conditions. A decrease in fines and forfeitures can be attributed to a decrease in court activity.

	2022 Expenditures	2021 Expenditures	Increase (Decrease)
General Government	$1,475,901	$1,572,223	($96,322)
Public Health	21,690	19,702	1,988
Transportation	104,525	100,801	3,724
Community Development	242,022	241,974	48
Culture and Recreation	175,367	139,525	35,842
Total	$2,019,505	$2,074,225	($54,720)

General Fund expenditures remained stable when compared with the prior year, decreasing $54,720 or approximately 3%.

Public Safety Fund – The Public Safety Fund reported an increase in fund balance of $71,952, or 6%. An increase in income tax revenues was mostly the result of an increase in employer withholding, which can be attributed to improving economic conditions.

State and Local Fiscal Recovery Fund – The State and Local Fiscal Recovery Fund is reporting $556,604 in pooled cash and investments at year end, which is offset by unearned revenue.

Capital Improvement Fund – The City's Capital Improvement Fund balance increased 12%. An increase in income tax revenues was mostly the result of an increase in employer withholding, which can be attributed to improving economic conditions.

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. The most significant budgeted fund is the General Fund.

During 2022, the City amended its General Fund budget several times to reflect changing circumstances. Original budgeted and final budgeted revenues were not significantly different. Actual budget basis revenues were 30% higher than final budget estimates, due mostly to increases in income taxes.

Original and final budgeted appropriations were not significantly different. Final budgeted appropriations exceeded actual expenditures by 13%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022 the City had $25,728,946 net of accumulated depreciation invested in land, buildings, improvements, infrastructure, and machinery and equipment. Of this total, $16,078,944 was related to governmental activities and $9,650,002 to the business-type activities. The following tables show 2022 and 2021 balances:

	Governmental Activities		Increase (Decrease)
	2022	2021	
Land	$886,158	$886,158	$0
Construction In Progress	258,369	114,694	143,675
Buildings and Improvements	6,567,670	6,462,865	104,805
Infrastructure	13,729,903	12,878,016	851,887
Machinery and Equipment	9,066,248	8,670,156	396,092
Less: Accumulated Depreciation	(14,429,404)	(13,289,741)	(1,139,663)
Totals	$16,078,944	$15,722,148	$356,796

	Business-Type Activities		Increase (Decrease)
	2022	2021	
Land	$584,108	$584,108	$0
Construction in Progress	435,970	61,787	374,183
Buildings and Systems	19,245,238	18,772,063	473,175
Machinery and Equipment	5,468,068	5,439,948	28,120
Less: Accumulated Depreciation	(16,083,382)	(15,391,824)	(691,558)
Totals	$9,650,002	$9,466,082	$183,920

Significant Governmental Activities capital asset additions included the acquisition of police cruisers, lawn mowers, playground equipment, and other various equipment. Infrastructure additions included repaving of several City streets as well as improvements to Maple Street.

Business-Type capital asset activity included a truck purchase for the Water and Sewer departments, water line improvements at Maple Street, water and sewer improvements at North Barron Street, and other various equipment. Additional information on the City's capital assets can be found in Note 8.

Long-Term Debt and Other Long-Term Obligations

The following table summarizes the City's debt and other long-term obligations outstanding as of December 31, 2022 and 2021:

	2022	2021
Governmental Activities:		
Compensated Absences	$679,997	$680,706
Total Governmental Activities	679,997	680,706
Business-Type Activities:		
Ohio Water Development Authority Loan	1,447,381	1,687,969
Ohio Public Works Commission Loan	85,001	88,334
Compensated Absences	263,259	239,632
Total Business-Type Activities	1,795,641	2,015,935
Totals	$2,475,638	$2,696,641

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2022, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 12.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the revenues it receives. If you have any questions regarding this report or need additional information, contact Stephanie Hurd, Director of Finance, City of Eaton, 328 North Maple Street, P.O. Box 27, Eaton, Ohio 45320.

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Statement of Net Position
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Assets:			
Pooled Cash and Investments	$ 12,654,157	$ 2,675,663	$ 15,329,820
Cash and Cash Equivalents in Segregated Accounts	46,255	0	46,255
Investments	20,000	0	20,000
Receivables:			
Taxes	1,967,824	0	1,967,824
Accounts	25,254	656,826	682,080
Intergovernmental	481,032	1,640	482,672
Special Assessments	14,247	17	14,264
Net OPEB Asset	443,076	182,001	625,077
Non-Depreciable Capital Assets	1,144,527	1,020,078	2,164,605
Depreciable Capital Assets, Net	14,934,417	8,629,924	23,564,341
Total Assets	31,730,789	13,166,149	44,896,938
Deferred Outflows of Resources:			
Pension	1,917,464	224,177	2,141,641
OPEB	489,758	0	489,758
Total Deferred Outflows of Resources	2,407,222	224,177	2,631,399
Liabilities:			
Accounts Payable	67,027	135,248	202,275
Accrued Wages and Benefits	221,467	51,599	273,066
Intergovernmental Payable	4,262	0	4,262
Unearned Revenue	556,604	0	556,604
Accrued Interest Payable	0	19,901	19,901
Noncurrent Liabilities:			
Due Within One Year	219,649	338,147	557,796
Due in More Than One Year:			
Net Pension Liability	4,570,128	535,810	5,105,938
Net OPEB Liability	572,959	0	572,959
Other Amounts Due in More Than One Year	460,348	1,457,494	1,917,842
Total Liabilities	6,672,444	2,538,199	9,210,643
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	562,000	0	562,000
Pension	2,809,957	649,081	3,459,038
OPEB	790,760	188,045	978,805
Total Deferred Inflows of Resources	4,162,717	837,126	4,999,843

(Continued)

	Governmental Activities	Business-Type Activities	Total
Net Position:			
Net Investment in Capital Assets	16,078,944	8,117,620	24,196,564
Restricted For:			
Capital Improvement	6,306,454	0	6,306,454
Public Safety	1,301,214	0	1,301,214
Parks	238,887	0	238,887
Cemetery	66,894	0	66,894
Community Development	92,784	0	92,784
Indigent Driver	159,962	0	159,962
Computerization Upgrade	59,240	0	59,240
Special Projects	302,663	0	302,663
Streets and Highways	982,986	0	982,986
Perpetual Care:			
Expendable	10,655	0	10,655
Nonexpendable	10,000	0	10,000
Unrestricted (Deficit)	(2,307,833)	1,897,381	(410,452)
Total Net Position	$ 23,302,850	$ 10,015,001	$ 33,317,851

See accompanying notes to the basic financial statements

Statement of Activities
For the Year Ended December 31, 2022

		Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	$ 1,884,953	$ 833,337	$ 0	$ 0
Public Safety	3,578,188	664,724	39,077	0
Public Health	134,344	90,469	10,911	0
Transportation	1,372,677	6,908	644,258	0
Community Development	153,205	0	7,460	0
Culture and Recreation	330,691	30,680	0	0
Total Governmental Activities	7,454,058	1,626,118	701,706	0
Business-Type Activities:				
Water	1,366,134	1,805,966	0	189,850
Sewer	1,468,928	1,641,916	0	110,150
Refuse	933,845	912,489	0	0
Parking	811	1,420	0	0
Total Business-Type Activities	3,769,718	4,361,791	0	300,000
Totals	$ 11,223,776	$ 5,987,909	$ 701,706	$ 300,000

General Revenues
Property Taxes Levied for:
General Purposes
Cemetery
Municipal Income Taxes
Intergovernmental, Unrestricted
Investment Earnings
Miscellaneous
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
$ (1,051,616)	$ 0	$ (1,051,616)
(2,874,387)	0	(2,874,387)
(32,964)	0	(32,964)
(721,511)	0	(721,511)
(145,745)	0	(145,745)
(300,011)	0	(300,011)
(5,126,234)	0	(5,126,234)
0	629,682	629,682
0	283,138	283,138
0	(21,356)	(21,356)
0	609	609
0	892,073	892,073
$ (5,126,234)	$ 892,073	$ (4,234,161)
598,657	0	598,657
38,604	0	38,604
6,928,900	0	6,928,900
269,068	0	269,068
74,863	0	74,863
279,793	0	279,793
8,189,885	0	8,189,885
3,063,651	892,073	3,955,724
20,239,199	9,122,928	29,362,127
$ 23,302,850	$ 10,015,001	$ 33,317,851

Balance Sheet
Governmental Funds
December 31, 2022

	General	Public Safety	State and Local Fiscal Recovery
Assets:			
Pooled Cash and Investments	$ 3,304,761	$ 1,156,448	$ 556,604
Cash and Cash Equivalents in Segregated Accounts	34,723	0	0
Investments	0	0	0
Receivables:			
Taxes	907,140	466,785	0
Accounts	22,472	477	0
Intergovernmental	144,021	15,243	0
Special Assessments	0	0	0
Total Assets	$ 4,413,117	$ 1,638,953	$ 556,604
Liabilities:			
Accounts Payable	$ 21,614	$ 22,399	$ 0
Accrued Wages and Benefits Payable	56,681	122,892	0
Intergovernmental Payable	40	4,222	0
Unearned Revenue	0	0	556,604
Total Liabilities	78,335	149,513	556,604
Deferred Inflows of Resources:			
Unavailable Amounts	220,224	165,944	0
Property Tax Levy for Next Fiscal Year	528,500	0	0
Total Deferred Inflows of Resources	748,724	165,944	0
Fund Balance:			
Nonspendable	0	0	0
Restricted	0	1,323,496	0
Assigned	501,117	0	0
Unassigned	3,084,941	0	0
Total Fund Balance	3,586,058	1,323,496	0
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 4,413,117	$ 1,638,953	$ 556,604

See accompanying notes to the basic financial statements

Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
$ 5,471,106	$ 2,165,238	$ 12,654,157
0	11,532	46,255
0	20,000	20,000
560,143	33,756	1,967,824
1,000	1,305	25,254
0	321,768	481,032
2,191	12,056	14,247
$ 6,034,440	$ 2,565,655	$ 15,208,769
$ 17,495	$ 5,519	$ 67,027
21,435	20,459	221,467
0	0	4,262
0	0	556,604
38,930	25,978	849,360
184,886	223,586	794,640
0	33,500	562,000
184,886	257,086	1,356,640
0	10,000	10,000
5,810,624	2,272,591	9,406,711
0	0	501,117
0	0	3,084,941
5,810,624	2,282,591	13,002,769
$ 6,034,440	$ 2,565,655	$ 15,208,769

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Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities December 31, 2022

Total Governmental Fund Balances		$ 13,002,769
Amounts reported for governmental activities in the statement of net position are different because		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		16,078,944
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		794,640
The net pension/OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	1,917,464	
Deferred Inflows - Pension	(2,809,957)	
Net Pension Liability	(4,570,128)	
Deferred Outflows - OPEB	489,758	
Deferred Inflows - OPEB	(790,760)	
Net OPEB Asset	443,076	
Net OPEB Liability	(572,959)	(5,893,506)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences Payable		(679,997)
Net Position of Governmental Activities		$ 23,302,850

See accompanying notes to the basic financial statements

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

	General	Public Safety	State and Local Fiscal Recovery
Revenues:			
Property Taxes	$ 599,433	$ 0	$ 0
Municipal Income Taxes	1,805,706	2,257,133	0
Intergovernmental Revenue	261,467	36,027	0
Charges for Services	105,859	653,507	0
Licenses and Permits	134,768	0	0
Fees, Fines and Forfeitures	443,355	0	0
Special Assessments	0	0	0
Investment Income	74,843	0	0
Donations	0	3,050	0
All Other Revenue	131,581	8,254	0
Total Revenues	3,557,012	2,957,971	0
Expenditures:			
Current:			
General Government	1,475,901	66,326	0
Public Safety	0	3,431,868	0
Public Health	21,690	0	0
Transportation	104,525	0	0
Community Development	242,022	0	0
Culture and Recreation	175,367	0	0
Capital Outlay	0	0	0
Total Expenditures	2,019,505	3,498,194	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,537,507	(540,223)	0
Other Financing Sources (Uses):			
Sale of Capital Assets	0	12,175	0
Transfers In	0	600,000	0
Transfers Out	(680,000)	0	0
Total Other Financing Sources (Uses)	(680,000)	612,175	0
Net Change in Fund Balance	857,507	71,952	0
Fund Balance at Beginning of Year	2,728,551	1,251,544	0
Fund Balance End of Year	$ 3,586,058	$ 1,323,496	$ 0

See accompanying notes to the basic financial statements

Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
$ 0	$ 38,618	$ 638,051
2,708,561	0	6,771,400
0	677,690	975,184
0	117,220	876,586
0	1,030	135,798
0	176,673	620,028
1,418	0	1,418
0	20	74,863
0	64,590	67,640
73,924	1,444	215,203
2,783,903	1,077,285	10,376,171
468,140	170,534	2,180,901
185,135	2,370	3,619,373
0	138,218	159,908
465,254	633,841	1,203,620
0	0	242,022
138,608	126,542	440,517
904,374	0	904,374
2,161,511	1,071,505	8,750,715
622,392	5,780	1,625,456
0	0	12,175
0	80,000	680,000
0	0	(680,000)
0	80,000	12,175
622,392	85,780	1,637,631
5,188,232	2,196,811	11,365,138
$ 5,810,624	$ 2,282,591	$ 13,002,769

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds To the Statement of Activities For the Year Ended December 31, 2022

Net Change in Fund Balances - Total Governmental Funds		$ 1,637,631
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 Outlay	1,617,885	
Depreciation Expense	(1,256,052)	361,833
The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets.		(5,037)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		141,538
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:		
Pension	604,293	
OPEB	7,202	611,495
Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension/OPEB expense in the statement of activities:		
Pension	679	
OPEB	314,803	315,482
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Compensated Absences		709
Change in Net Position of Governmental Activities		$ 3,063,651

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	$ 528,500	$ 528,500	$ 599,433	$ 70,933
Municipal Income Taxes	1,350,000	1,350,000	1,809,891	459,891
Intergovernmental Revenue	172,000	172,000	260,081	88,081
Charges for Services	85,000	85,000	93,653	8,653
Licenses and Permits	70,000	70,000	134,768	64,768
Fees, Fines and Forfeitures	426,000	426,000	447,348	21,348
Investment Income	2,000	2,000	74,843	72,843
All Other Revenues	175,000	175,000	236,633	61,633
Total Revenues	2,808,500	2,808,500	3,656,650	848,150
Expenditures:				
Current:				
General Government	1,941,085	1,941,085	1,688,711	252,374
Public Health	27,150	27,150	21,690	5,460
Transportation	120,750	120,750	104,665	16,085
Community Development	276,040	276,040	243,373	32,667
Total Expenditures	2,365,025	2,365,025	2,058,439	306,586
Excess (Deficiency) of Revenues Over (Under) Expenditures	443,475	443,475	1,598,211	1,154,736
Other Financing Sources (Uses):				
Transfers Out	(993,300)	(993,300)	(838,000)	155,300
Total Other Financing Sources (Uses):	(993,300)	(993,300)	(838,000)	155,300
Net Change in Fund Balance	(549,825)	(549,825)	760,211	1,310,036
Fund Balance at Beginning of Year	2,396,307	2,396,307	2,396,307	0
Prior Year Encumbrances	10,369	10,369	10,369	0
Fund Balance at End of Year	$ 1,856,851	$ 1,856,851	$ 3,166,887	$ 1,310,036

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) Special Revenue Fund – Public Safety Fund For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Municipal Income Taxes	$ 1,902,500	$ 1,902,500	$ 2,262,364	$ 359,864
Intergovernmental Revenue	19,100	19,100	36,027	16,927
Charges for Services	603,956	603,956	648,701	44,745
Donations	0	0	3,050	3,050
All Other Revenues	0	0	6,709	6,709
Total Revenues	2,525,556	2,525,556	2,956,851	431,295
Expenditures:				
Current:				
General Government	60,000	67,000	66,486	514
Public Safety	3,936,474	3,936,474	3,474,363	462,111
Total Expenditures	3,996,474	4,003,474	3,540,849	462,625
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,470,918)	(1,477,918)	(583,998)	893,920
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	12,175	12,175
Transfers In	600,000	600,000	600,000	0
Total Other Financing Sources (Uses):	600,000	600,000	612,175	12,175
Net Change in Fund Balance	(870,918)	(877,918)	28,177	906,095
Fund Balance at Beginning of Year	1,059,257	1,059,257	1,059,257	0
Prior Year Encumbrances	55,589	55,589	55,589	0
Fund Balance at End of Year	$ 243,928	$ 236,928	$ 1,143,023	$ 906,095

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) Special Revenue Fund – State and Local Fiscal Recovery Fund For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenue	$ 0	$ 0	$ 430,005	$ 430,005
Total Revenues	0	0	430,005	430,005
Expenditures:				
Current:				
General Government	426,599	426,599	300,000	126,599
Total Expenditures	426,599	426,599	300,000	126,599
Net Change in Fund Balance	(426,599)	(426,599)	130,005	556,604
Fund Balance at Beginning of Year	426,599	426,599	426,599	0
Fund Balance at End of Year	$ 0	$ 0	$ 556,604	$ 556,604

See accompanying notes to the basic financial statements

Statement of Net Position
Proprietary Funds
December 31, 2022

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Sewer	Refuse
Assets			
Current Assets:			
Pooled Cash and Investments	$ 1,196,127	$ 1,361,357	$ 111,011
Accounts Receivable	229,556	257,393	169,877
Intergovernmental Receivables	1,580	60	0
Special Assessments Receivable	0	17	0
Total Current Assets	1,427,263	1,618,827	280,888
Noncurrent Assets:			
Net OPEB Asset	81,587	87,304	13,110
Capital Assets, Net	5,251,247	4,378,454	20,301
Total Noncurrent Assets	5,332,834	4,465,758	33,411
Total Assets	6,760,097	6,084,585	314,299
Deferred Outflows of Resources:			
Pension	100,492	107,537	16,148
Total Deferred Outflows of Resources	100,492	107,537	16,148
Liabilities			
Current Liabilities:			
Accounts Payable	35,060	25,528	74,660
Accrued Wages and Benefits	23,044	24,683	3,872
Accrued Interest Payable	19,901	0	0
OWDA Loans Payable - Current	247,250	0	0
OPWC Loans Payable - Current	0	3,333	0
Compensated Absences - Current	40,829	42,926	3,809
Total Current Liabilities	366,084	96,470	82,341
Noncurrent Liabilities:			
OWDA Loans Payable	1,200,131	0	0
OPWC Loans Payable	0	81,668	0
Compensated Absences Payable	80,215	85,331	10,149
Net Pension Liability	240,189	257,025	38,596
Total Noncurrent Liabilities	1,520,535	424,024	48,745
Total Liabilities	1,886,619	520,494	131,086
Deferred Inflows of Resources:			
Pension	290,963	311,362	46,756
OPEB	84,297	90,204	13,544
Total Deferred Inflows of Resources	375,260	401,566	60,300
Net Position			
Net Investment in Capital Assets	3,803,866	4,293,453	20,301
Unrestricted	794,844	976,609	118,760
Total Net Position	$ 4,598,710	$ 5,270,062	$ 139,061

See accompanying notes to the basic financial statements

Nonmajor Parking	Total
$ 7,168	$ 2,675,663
0	656,826
0	1,640
0	17
7,168	3,334,146
0	182,001
0	9,650,002
0	9,832,003
7,168	13,166,149
0	224,177
0	224,177
0	135,248
0	51,599
0	19,901
0	247,250
0	3,333
0	87,564
0	544,895
0	1,200,131
0	81,668
0	175,695
0	535,810
0	1,993,304
0	2,538,199
0	649,081
0	188,045
0	837,126
0	8,117,620
7,168	1,897,381
$ 7,168	$ 10,015,001

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

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Sewer	Refuse
Operating Revenues:			
Charges for Services	$ 1,797,404	$ 1,641,866	$ 912,479
Other Operating Revenues	2,301	50	10
Total Operating Revenues	1,799,705	1,641,916	912,489
Operating Expenses:			
Personal Services	434,740	464,846	68,169
Fringe Benefits	60,848	67,408	22,742
Contractual Services	280,178	254,657	840,880
Materials and Supplies	147,337	117,037	93
Utilities	59,494	195,958	1,261
Depreciation	341,802	369,022	700
Other Operating Expenses	268	0	0
Total Operating Expenses	1,324,667	1,468,928	933,845
Operating Income (Loss)	475,038	172,988	(21,356)
Non-Operating Revenues (Expenses):			
Interest and Fiscal Charges	(41,467)	0	0
Other Nonoperating Revenue	6,261	0	0
Total Non-Operating Revenues (Expenses)	(35,206)	0	0
Income (Loss) Before Contributions	439,832	172,988	(21,356)
Contributions:			
Capital Contributions	189,850	110,150	0
Total Contributions	189,850	110,150	0
Change in Net Position	629,682	283,138	(21,356)
Net Position Beginning of Year	3,969,028	4,986,924	160,417
Net Position End of Year	$ 4,598,710	$ 5,270,062	$ 139,061

See accompanying notes to the basic financial statements

Nonmajor Parking	Total
$ 1,420	$ 4,353,169
0	2,361
1,420	4,355,530
0	967,755
0	150,998
0	1,375,715
811	265,278
0	256,713
0	711,524
0	268
811	3,728,251
609	627,279
0	(41,467)
0	6,261
0	(35,206)
609	592,073
0	300,000
0	300,000
609	892,073
6,559	9,122,928
$ 7,168	$ 10,015,001

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Business-Type Activities-Enterprise Funds		
	Major		
	Water	Sewer	Refuse
Cash Flows from Operating Activities:			
Cash Received from Customers	$1,826,446	$1,658,026	$907,554
Cash Payments for Goods and Services	(479,418)	(570,059)	(900,474)
Cash Payments to Employees	(667,667)	(716,570)	(114,754)
Net Cash Provided (Used) by Operating Activities	679,361	371,397	(107,674)
Cash Flows from Capital and Related Financing Activities:			
Capital Grants	189,850	110,150	0
Sale of Assets	6,261	0	0
OPWC Loan Retirement	0	(3,333)	0
OWDA Loan Retirement	(240,588)	0	0
Interest and Fiscal Charges	(44,776)	0	0
Acquisition and Construction of Assets	(698,339)	(204,794)	0
Net Cash Used by Capital and Related Financing Activities	(787,592)	(97,977)	0
Net Increase (Decrease) in Cash and Cash Equivalents	(108,231)	273,420	(107,674)
Cash and Cash Equivalents at Beginning of Year	1,304,358	1,087,937	218,685
Cash and Cash Equivalents at End of Year	$1,196,127	$1,361,357	$111,011
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$475,038	$172,988	($21,356)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	341,802	369,022	700
Changes in Assets, Liabilities, and Deferred Outflows/Inflows:			
(Increase) Decrease in Accounts Receivable	26,693	15,284	(4,935)
Decrease in Special Assessments Receivable	0	886	0
Increase in Intergovernmental Receivable	(300)	(60)	0
Increase in Net OPEB Asset	(35,234)	(37,695)	(6,155)
Increase in Deferred Outflows of Resources	(21,442)	(22,930)	(4,287)
Increase (Decrease) in Accounts Payable	7,840	(2,508)	(58,244)
Increase in Accrued Wages and Benefits	933	992	302
Increase in Compensated Absences	11,524	11,999	104
Decrease in Net Pension Liability	(167,545)	(179,363)	(22,580)
Increase in Deferred Inflows of Resources	40,052	42,782	8,777
Total Adjustments	204,323	198,409	(86,318)
Net Cash Provided (Used) by Operating Activities	$679,361	$371,397	($107,674)

See accompanying notes to the basic financial statements

Nonmajor Parking	Totals
$1,420	$4,393,446
(811)	(1,950,762)
0	(1,498,991)
609	943,693
0	300,000
0	6,261
0	(3,333)
0	(240,588)
0	(44,776)
0	(903,133)
0	(885,569)
609	58,124
6,559	2,617,539
$7,168	$2,675,663
$609	$627,279
0	711,524
0	37,042
0	886
0	(360)
0	(79,084)
0	(48,659)
0	(52,912)
0	2,227
0	23,627
0	(369,488)
0	91,611
0	316,414
$609	$943,693

Statement of Net Position
Fiduciary Funds
December 31, 2022

	Custodial Funds
Assets:	
Cash and Cash Equivalents	$ 75,807
Receivables:	
Intergovernmental	1,256
Total Assets	77,063
Liabilities:	
Accounts Payable	53,118
Intergovernmental Payable	23,945
Total Liabilities	77,063
Net Position:	
Total Net Position	$ 0

See accompanying notes to the basic financial statements

Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended December 31, 2022

	Custodial Funds
Additions:	
Fines and Forfeiture Collections for other Governments	$ 772,249
Fee Collections for other Governments	3,280
Total Additions	775,529
Deductions:	
Distribution of Fines and Forfeitures to other Governments	772,249
Distribution of Fees to other Governments	3,280
Total Deductions	775,529
Change in Net Position	0
Net Position at Beginning of Year	0
Net Position End of Year	$ 0

See accompanying notes to the basic financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Eaton (the City) is a municipal corporation established under the laws of the State of Ohio, which operates under its own charter. The City was incorporated on July 1, 1961 and operates under a Council/Manager form of government. The council members are elected by separate ballot from the municipality at large for four-year terms. Council elects one of their members to serve as Mayor annually. As a council member, the Mayor has the right to vote on all issues before council. Council appoints the City Manager, Director of Finance, and Director of Law. The City Manager appoints all department managers of the City.

The financial statements are presented as of December 31, 2022 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of the Governmental Accounting Standards Board (the "GASB") Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, departments, boards and agencies that are not legally separate from the City. For the City this includes public safety (police, fire and emergency rescue), highway and streets, parks and recreation, public improvements, community development, building and zoning, public health and welfare, and general administrative services. In addition, the City provides water treatment and distribution services, sanitary sewer services, refuse collection and disposal services and parking services, which are reported as enterprise funds. Council and the City Manager have direct responsibility for these activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except that accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources).

The following are the City's major governmental funds:

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred in accordance with the Charter and legislation of the City and/or the general laws of the State of Ohio.

Public Safety Fund – The public safety fund accounts for 1/2% income tax revenue that is approved by the voters of the City every three years and ambulance removal fees and contracts with townships for Fire and EMS services.

State and Local Fiscal Recovery Fund - This fund is used to account for Coronavirus State and Local Fiscal Recovery funds received as part of the American Rescue Plan Act. The funds are to be used to support the response and recovery from the COVID-19 public health emergency.

Capital Improvement Fund – The capital improvement fund accounts for that portion of municipal income tax designated by Council for the purpose of improving, constructing, maintaining, and purchasing those items necessary to enhance the operations of the City.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Proprietary Funds

All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets, liabilities and deferred outflows/inflows of resources associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise funds are:

Water Fund – This fund is used to account for the provision of water treatment and distribution to the residents and commercial users of the City and some residents of the County.

Sewer Fund – This fund is used to account for sanitary sewer services provided to the residents and commercial users of the City.

Refuse Fund – This fund is used to account for the collection and disposal of refuse by the City.

Fiduciary Funds **-** These funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City's only fiduciary funds are custodial funds. These funds are used to account for receipts to be transferred to the County Law Library, and to account for municipal court receipts distributed to other governments.

C. Basis of Presentation – Financial Statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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.

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

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, deferred outflows/inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified accrual basis when the exchange takes place and the resources are available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. 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 specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenue considered susceptible to accrual at year end includes income taxes, interest on investments, state levied locally shared taxes (including motor vehicle license fees and local government assistance). Licenses, permits, charges for service and other miscellaneous revenues are recorded as revenue when received in cash because generally this revenue is not measurable until received.

Property taxes measurable as of December 31, 2022 but which are not intended to finance 2022 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources. Property taxes are further described in Note 4.

The accrual basis of accounting is utilized for reporting purposes by the Government-wide financial statements, proprietary funds, and custodial funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year. All funds other than custodial funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The legal level of budgetary control is at the department and object level (personnel services and other expenses) in the General Fund and at the object level (personnel services and other expenses) level for all other budgeted funds. Budgetary modifications may only be made by ordinance or resolution of the City Council.

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2022.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—for the General Fund and Major Special Revenue Funds" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

5. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities.

6. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Major Special Revenue Funds:

	Net Change in Fund Balance		
	General Fund	Public Safety Fund	State and Local Fiscal Recovery Fund
GAAP Basis (as reported)	$857,507	$71,952	$0
Increase (Decrease):			
Accrued Revenues at December 31, 2022 received during 2023	(359,632)	(316,561)	0
Accrued Revenues at December 31, 2021 received during 2022	372,220	319,945	0
Accrued Expenditures at December 31, 2022 paid during 2023	78,335	149,513	556,604
Accrued Expenditures at December 31, 2021 paid during 2022	(149,881)	(183,247)	(426,599)
Outstanding Encumbrances	(41,528)	(13,425)	
Perspective Difference:			0
Activity of Funds Reclassified for GAAP Reporting Purposes	3,190	0	0
Budget Basis	$760,211	$28,177	$130,005

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). The amounts in STAR Ohio are considered cash equivalents because they are highly liquid investments with original maturity dates of three months or less.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each maintains its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds' share of equity in STAR Ohio is considered to be cash equivalents. See Note 3, "Cash, Cash Equivalents and Investments."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*" and GASB Statement No. 72, *"Fair Value Measurement and Application,"* the City records all its investments at fair value except for nonparticipating investment contracts which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements.

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

The City's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $100 million. STAR Ohio reserves the right to limit the transaction to $250 million, requiring the excess amount to be transacted the following business day(s), but only to the $250 million limit. All accounts of the participant will be combined for these purposes.

H. Capital Assets and Depreciation

Capital assets acquired prior to 2022 have an initial, individual cost of more than $1,000. Beginning in 2022, the City has established a capitalization threshold of $5,000.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets and Depreciation (Continued)

1. Property, Plant and Equipment - Governmental Activities (Continued)

Contributed capital assets are recorded at acquisition value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Property, Plant and Equipment – Business Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at acquisition value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Position and in the respective funds.

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental and Business-Type Activities Estimated Lives (in years)
Buildings and Systems	15 - 45
Infrastructure	20
Equipment	3 - 15

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
Ohio Public Works Commission Loans Payable	Sewer Fund
Compensated Absences	General Fund, Public Safety Fund, Street Construction, Maintenance and Repair Fund, Cemetery Fund, Recreation Fund, Fort St. Clair Fund, Capital Improvement Fund, Water Fund, Sewer Fund, Refuse Fund
Ohio Water Development Authority Loans Payable	Water Fund

J. Compensated Absences

In accordance with GASB Statement No. 16, *"Accounting for Compensated Absences*," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net position, “Compensated Absences Payable” is recorded within the “Due within one year” account and the long-term portion of the liability is recorded within the “Due in more than one year” account. Compensated absences are expensed in the water, sewer, and refuse enterprise funds when earned, and the related liability is reported within the fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Position

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

L. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

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

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. 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 (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority. For the City, these constraints consist of ordinances passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts. The City has no fund balances reported as committed at December 31, 2022.

Assigned – Assigned fund balance consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Pension/OPEB

The provision for pension/OPEB cost is recorded when the related payroll is accrued and the obligation is incurred. For purposes of measuring the net pension/OPEB 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 systems. 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 systems report investments at fair value.

N. Interfund Activity

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

O. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. 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 for water treatment and distribution, wastewater collection and treatment, collection of solid waste refuse, and parking services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no extraordinary or special items to report during fiscal year 2022.

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. For the City, deferred outflows of resources are reported for pension/OPEB amounts on the government-wide and proprietary funds statement of net position. See Notes 9 and 10.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. <u>Deferred Outflows/Inflows of Resources</u> (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts,* is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension/OPEB are reported on the government-wide and proprietary funds statement of net position. See Notes 9 and 10.

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 2 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	Public Safety Fund	State and Local Fiscal Recovery Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Endowments	$0	$0	$0	$0	$10,000	$10,000
Total Nonspendable	0	0	0	0	10,000	10,000
Restricted:						
Public Safety	0	1,323,496	0	0	255,548	1,579,044
Court Improvements	0	0	0	0	368,465	368,465
Cemeteries	0	0	0	0	84,351	84,351
Streets	0	0	0	0	808,428	808,428
Public Health	0	0	0	0	10,911	10,911
Community Development	0	0	0	0	92,784	92,784
Parks and Recreation	0	0	0	0	245,244	245,244
Capital Outlay	0	0	0	5,810,624	406,860	6,217,484
Total Restricted	0	1,323,496	0	5,810,624	2,272,591	9,406,711
Assigned:						
Materials and Supplies	39,915	0	0	0	0	39,915
Culture and Recreation	96,346	0	0	0	0	96,346
Budget Resource	364,856	0	0	0	0	364,856
Total Assigned	501,117	0	0	0	0	501,117
Unassigned:	3,084,941	0	0	0	0	3,084,941
Total Fund Balances	$3,586,058	$1,323,496	$0	$5,810,624	$2,282,591	$13,002,769

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash and investments. In addition, investments are separately held by a number of individual funds. Statutes require the classification of funds held by the City into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use, but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

- Interim deposits in eligible institutions applying for interim funds;

- Bonds and other obligations of the State of Ohio;

- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and

- The State Treasury Asset Reserve of Ohio (STAR Ohio).

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute.

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At December 31, 2022, the carrying amount of the City's deposits was $9,553,052 and the bank balance was $9,678,134. Of the bank balance, $802,118 was covered by federal depository insurance and $8,876,016 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the City's name, securities held in the Ohio Pooled Collateral System, and specific pledged collateral.

B. Investments

Pursuant to the City Charter, the City is authorized to invest funds, in compliance with the Ohio Revised Code, in bonds or notes guaranteed by the United States, bonds or obligations of the State of Ohio, the State Treasurer's investment pool or deposits in eligible institutions. Maturities must be less than two years.

Interest rate risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. In practice, the City manages its exposure to declines in fair values by limiting the maximum maturity of its investment portfolio to approximately two years.

Credit Risk – Per the City's policy, investments are limited to those explicitly guaranteed by the U.S. government, to STAR Ohio (rated AAAm by Standard & Poor's), or to high yield cash investments with authorized banks which pledge pooled securities as collateral.

Concentration of credit risk – The City places no limit on the amount that it may invest with any one issuer.

At December 31, 2022, the City's investments were amounts on deposit with STAR Ohio, with a fair value of $4,293,223 (amortized cost), pooled certificates of deposit in the amount of $1,605,607, and segregated certificates of deposit in the amount of $20,000. The investments in STAR Ohio and pooled certificates of deposit are included in "Pooled Cash and Investments" and the segregated certificates of deposit are included in "Investments" on the Statement of Net Position.

NOTE 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property located in the City. Real property taxes (other than public utility) collected during 2022 were levied after October 1, 2021 on assessed values as of January 1, 2021, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2017. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Eaton. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2022 was $2.70 per $1,000 of assessed value. The assessed value upon which the 2021 levy (collected in 2022) was based was $181,733,800. This amount constitutes $174,247,290 in real property assessed value and $7,486,510 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .270% (2.70 mills) of assessed value.

B. Income Tax

Municipalities within the State of Ohio are permitted by state statute to levy an income tax up to a maximum rate of 1% subject to the approval of the local legislative body. Any rate in excess of 1% requires the approval of a majority of the eligible voters residing within the municipal corporation. The City income tax rate of 1.5% is levied by ordinance. One percent (1%) of the tax is levied indefinitely and 0.5% was renewed by the voters of the City in November 2022. The 0.5% tax will expire December 31, 2025. This tax is applicable to substantially all income earned within the City. Employers within the City are required to withhold income tax on employee compensation and remit this withholding quarterly. Corporations, partnerships, and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the City. Residents of the City are required to pay City income taxes on income they earn outside the City; however, credit is allowed for all income tax paid to other municipalities.

Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 5 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2022:

Fund	Transfer In	Transfer Out
General Fund	$0	$680,000
Public Safety Fund	600,000	0
Nonmajor Governmental Funds	80,000	0
Totals	$680,000	$680,000

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; and to transfer capital assets.

NOTE 6 – TAX ABATEMENTS

Income Tax Abatement Program

The City created the Municipal Job Creation Income Tax Incentive Program in 2016. The purpose of the program is to maintain the City's competitiveness as a site for location of new businesses and the expansion of existing businesses. Pursuant to Ohio Revised Code 718 and the applicable City ordinance, the City provides an incentive to the company based upon the company's gross annual payroll, the amount of income tax generated annually and the number of jobs created or retained by the business. The abatement is administered as a refund based upon the company's payroll taxes. The tax abatement incentive is for a new business or expanding business with new payroll of a minimum of $1,000,000 at the percentage up to 45% of income tax paid on new payroll for a period determined by the City in accordance with Ohio Revised Code. There are three businesses (Silex Corporation, Bullen Ultrasonic Inc., and Henny Penny Corporation) with an active tax abatement agreement in place. No income tax abatements for 2022 have been issued to date.

Real Estate Tax Abatement Program

Pursuant to Ohio Revised Code Chapter 5709, the City established a Community Reinvestment Area. The City authorizes incentives through passage of public ordinances, based upon each businesses investment criteria and through a contractual application process with each business. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the Community Reinvestment Area gave the City the ability to maintain and expand business located within the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate and includes major housing improvements in specified areas. The City has offered the CRA abatements to encourage economic stability, maintain property values, and generate new employment opportunities and population growth. There are two businesses (Timken Steel and Neaton Auto Products) with active tax abatement agreements in place. In 2022 Timken Steel received a property tax abatement of $8,995 and Neaton Auto Products received a property tax abatement of $18,142.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2022 consisted of current and delinquent property taxes, special assessments, income taxes, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for nonpayment of taxes and the stable condition of State programs. A summary of Intergovernmental Receivables follows:

Type	Amount
Governmental Activities:	
Local Government Revenue Assistance	$84,469
Homestead and Rollback	38,666
Gasoline and Excise Tax	238,501
Motor Vehicle License Fees	75,765
Public Safety	15,390
Other	28,241
Total Governmental Activities	481,032
Business-Type Activities:	
Water	1,580
Sewer	60
Total Business-Type Activities	1,640
Totals	$482,672

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NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2022:

Historical Cost:

Class	December 31, 2021	Additions	Deletions	December 31, 2022
Capital assets not being depreciated:				
Land	$886,158	$0	$0	$886,158
Construction in Progress	114,694	168,675	(25,000)	258,369
Sub-total	1,000,852	168,675	(25,000)	1,144,527
Capital assets being depreciated:				
Buildings and Improvements	6,462,865	104,805	0	6,567,670
Infrastructure	12,878,016	851,887	0	13,729,903
Machinery and Equipment	8,670,156	517,518	(121,426)	9,066,248
Total Cost	$29,011,889	$1,642,885	($146,426)	$30,508,348

Accumulated Depreciation:

Class	December 31, 2021	Additions	Deletions	December 31, 2022
Buildings and Improvements	($2,668,180)	($147,313)	$0	($2,815,493)
Infrastructure	(4,472,178)	(491,252)	0	(4,963,430)
Machinery and Equipment	(6,149,383)	(617,487)	116,389	(6,650,481)
Total Accumulated Depreciation	($13,289,741)	($1,256,052) *	$116,389	($14,429,404)
Net Value:	$15,722,148			$16,078,944

* Depreciation was charged to governmental functions as follows:

General Government	$358,870
Public Safety	336,458
Transportation	499,313
Culture and Recreation	61,411
Total Depreciation Expense	$1,256,052

NOTE 8 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by category at December 31, 2022:

Historical Cost:

Class	December 31, 2021	Additions	Deletions	December 31, 2022
Capital assets not being depreciated:				
Land	$584,108	$0	$0	$584,108
Construction in Progress	61,787	374,183	0	435,970
Sub-total	645,895	374,183	0	1,020,078
Capital assets being depreciated:				
Buildings and Systems	18,772,063	473,175	0	19,245,238
Machinery and Equipment	5,439,948	48,086	(19,966)	5,468,068
Total Cost	$24,857,906	$895,444	($19,966)	$25,733,384

Accumulated Depreciation:

Class	December 31, 2021	Additions	Deletions	December 31, 2022
Buildings and Systems	($10,927,314)	($546,667)	$0	($11,473,981)
Machinery and Equipment	(4,464,510)	(164,857)	19,966	(4,609,401)
Total Accumulated Depreciation	($15,391,824)	($711,524)	$19,966	($16,083,382)
Net Value:	$9,466,082			$9,650,002

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NOTE 9 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The 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 benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. 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% 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. For additional information, see the Plan Statement in the OPERS Annual Comprehensive Financial Report.

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
2022 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2022 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $445,995 for 2022. Of this amount, $34,190 is reported as an intergovernmental payable.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit. (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 OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3.00% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3.00% of their base pension or disability benefit.

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.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was $288,157 for 2022. Of this amount, $21,496 is reported as an intergovernmental payable.

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

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

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability	$1,840,222	$3,265,716	$5,105,938
Proportion of the Net Pension Liability-2022	0.021151%	0.052273%	
Proportion of the Net Pension Liability-2021	0.021016%	0.050718%	
Percentage Change	0.000135%	0.001555%	
Pension Expense	($327,906)	$220,718	($107,188)

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Changes in assumptions	$230,119	$596,835	$826,954
Differences between expected and actual experience	93,812	94,160	187,972
Change in proportionate share	21,039	371,524	392,563
City contributions subsequent to the measurement date	445,995	288,157	734,152
Total Deferred Outflows of Resources	$790,965	$1,350,676	$2,141,641
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$2,188,881	$856,224	$3,045,105
Differences between expected and actual experience	40,360	169,772	210,132
Change in proportionate share	0	203,801	203,801
Total Deferred Inflows of Resources	$2,229,241	$1,229,797	$3,459,038

$734,152 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2023	($268,467)	$34,770	($233,697)
2024	(752,911)	(214,044)	(966,955)
2025	(514,694)	(44,415)	(559,109)
2026	(348,199)	(23,704)	(371,903)
2027	0	80,115	80,115
Total	($1,884,271)	($167,278)	($2,051,549)

Actuarial Assumptions - OPERS

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2021 and December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	December 31, 2021
Wage Inflation	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2022. 2.05 percent simple, thereafter
Investment Rate of Return	6.9 percent
Actuarial Cost Method	Individual Entry Age

	December 31, 2020
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	0.5 percent simple through 2021. 2.15 percent simple, thereafter
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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. 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, 2021, these best estimates are summarized in the following table:

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

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

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	$4,851,828	$1,840,222	($665,833)

Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

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

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2021, compared with January 1, 2020, are presented below.

	January 1, 2021	January 1, 2020
Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.5 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Cost of Living Adjustments	2.2 percent simple	2.2 percent simple

For the January 1, 2021 valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the 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

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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 expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

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

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

* levered 2.5x
Note: Assumptions are geometric

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate For 2021, the total pension liability was calculated using the discount rate of 7.50 percent. The discount rate used for 2020 was 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 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	$4,843,009	$3,265,716	$1,952,218

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NOTE 10 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability (Asset)

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

The net OPEB liability (asset) represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability (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.

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

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

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

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NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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.

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.

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have 20 or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. 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 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. 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 requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2022. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2022 was 4.0 percent.

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment 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.

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 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.

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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

The City's contractually required contribution to OP&F was $7,202 for 2022. Of this amount, $538 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:

	OPERS	OP&F	Total
Proportionate Share of the Net OPEB Liability (Asset)	($625,077)	$572,959	($52,118)
Proportion of the Net OPEB Liability (Asset) -2022	0.019957%	0.052273%	
Proportion of the Net OPEB Liability (Asset) -2021	0.019858%	0.050718%	
Percentage Change	0.000099%	0.001555%	
OPEB Expense	($555,561)	$71,506	($484,055)

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Changes in assumptions	$0	$253,609	$253,609
Differences between expected and actual experience	0	26,064	26,064
Change in proportionate share	16,621	186,262	202,883
City contributions subsequent to the measurement date	0	7,202	7,202
Total Deferred Outflows of Resources	$16,621	$473,137	$489,758
Deferred Inflows of Resources			
Net difference between projected and actual earnings on OPEB plan investments	$297,995	$51,755	$349,750
Changes in assumptions	253,027	66,545	319,572
Differences between expected and actual experience	94,816	75,726	170,542
Change in proportionate share	0	138,941	138,941
Total Deferred Inflows of Resources	$645,838	$332,967	$978,805

$7,202 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2023	($382,796)	$34,552	($348,244)
2024	(138,516)	26,868	(111,648)
2025	(65,110)	37,559	(27,551)
2026	(42,795)	9,037	(33,758)
2027	0	12,611	12,611
2028	0	7,870	7,870
2029	0	4,471	4,471
Total	($629,217)	$132,968	($496,249)

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	2.75 percent
Projected Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	6.00 percent
Prior measurement date	6.00 percent
Investment Rate of Return:	
Current measurement date	6.00 percent
Prior measurement date	6.00 percent
Municipal Bond Rate:	
Current measurement date	1.84 percent
Prior measurement date	2.00 percent
Health Care Cost Trend Rate:	
Current measurement date	5.5 percent initial, 3.5 percent ultimate in 2034
Prior measurement date	8.5 percent initial, 3.5 percent ultimate in 2035
Actuarial Cost Method	Individual Entry Age Normal

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

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. 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, 2021, 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 %	0.91 %
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other investments	7.00	1.93
Total	100.00 %	3.45 %

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. 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").

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2121. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2121, 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)	($367,608)	($625,077)	($838,793)

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 that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability (asset)	($631,839)	($625,077)	($617,070)

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

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

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.5 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Single discount rate	2.84 percent	2.96 percent
Cost of Living Adjustments	2.2 percent simple	2.2 percent simple

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

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

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

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

Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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

* levered 2.5x
Note: Assumptions are geometric

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 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 7.50 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 7.50 percent, 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 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.

Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The 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	$720,220	$572,959	$451,907

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.

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NOTE 11 – COMPENSATED ABSENCES

In accordance with GASB Statement 16, the City accrues unpaid vacation as it is earned and certain portions of sick leave pay as payment becomes probable.

Vacation is accumulated based upon length of service as follows:

Employee Service	30-40 Hr/Wk Employee Hours Earned/Month
0 thru 5	8.0
5 thru 10	10.7
10 thru 15	12.0
15 thru 30	13.3
Over 30 years	16.0

Appointed employees, which include all department heads and division heads, shall receive 20 days of vacation per year.

No more than the amount of vacation accrued in the previous twenty-four month period can be carried forward into the next calendar year without written consent of the City Manager. Without this approval, any excess is eliminated from the employee's leave balance. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation up to a maximum of the two-year accrual. Amounts in excess of the two-year accrual are paid currently. Therefore, the entire liability as determined by the above policy is recognized for each fund.

All employees can earn sick leave at the rate of 10 hours for each month of work completed and appointed employees receive 15 days sick leave per year.

It is the policy of the City that an employee with a least three years' service who terminates employment or whose employment is terminated with the City (for other than disciplinary reasons) is entitled to receive payment on the basis of one day's pay for each two days of accrued sick leave not to exceed 120 days for a maximum of 60 days paid. Sick leave is recorded as a long-term obligation, unless there is an indication that the obligation will be liquidated with expendable available financial resources within one year (e.g. announced retirement date).

As of December 31, 2022, the accrued liability for unpaid compensated absences was $943,256 for all funds. The liability for unpaid compensated absences will be paid from the General Fund, Public Safety Fund, Street Construction, Maintenance and Repair Fund, Cemetery Fund, Recreation Fund, Fort St. Clair Fund, Capital Improvement Fund, Water Fund, Sewer Fund, and Refuse Fund.

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2022 are as follows:

Interest Rate	Purpose	Maturity Date	Balance December 31, 2021	Additions	Deductions	Balance December 31, 2022	Amount Due Within One Year
Governmental Activities Other Long-Term Obligations:							
Compensated Absences			$680,706	$226,361	($227,070)	$679,997	$219,649
Total Governmental Activities			680,706	226,361	(227,070)	679,997	219,649
Business-Type Activities Debt:							
Ohio Water Development Authority Loan:							
2.75%	Water Treatment Plant and Tower	2028	1,687,969	0	(240,588)	1,447,381	247,250
Ohio Public Works Commission Loan:							
0.00%	Wastewater Treatment Plant	2047	88,334	0	(3,333)	85,001	3,333
Business-Type Activities Other Long-Term Obligations:							
Compensated Absences			239,632	102,664	(79,037)	263,259	87,564
Total Business-Type Activities			2,015,935	102,664	(322,958)	1,795,641	338,147
Total Long-Term Debt and Other Long-Term Obligations			$2,696,641	$329,025	($550,028)	$2,475,638	$557,796

On January 1, 2007, the City entered into a loan agreement with the Ohio Water Development Authority (OWDA) for the construction of a new 1.5 million gallon water tower and the renovation of the main water treatment plant. This loan was approved for eligible project costs for an amount not to exceed $5,247,302 at an interest rate of 2.75%, payable in semi-annual installments for 20 years. Established as a draw loan, the final loan amount was $4,367,476. Debt payment began on July 1, 2008 with a 20 year repayment. The 2022 debt service payment, which includes interest, was $285,364 and was paid out of the Water Fund.

In 2018 the City entered into a loan agreement with the Ohio Public Works Commission (OPWC) for wastewater treatment plant improvements. The loan was for $100,000 with a 0% interest rate. Proceeds were drawn down as funds were expended on the project and repayment began in January 2018. Annual payments are $3,333 and are paid out of the Sewer Fund.

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

A. Long-Term Funding Requirements

Principal and interest requirements to retire long-term debt outstanding at December 31, 2022 were as follows:

	Business-Type Activities			
	OWDA Loan		OPWC Loan	
Years	Principal	Interest	Principal	Interest
2023	$247,250	$38,114	$3,333	$0
2024	254,097	31,269	3,333	0
2025	261,131	24,233	3,333	0
2026	268,362	17,002	3,333	0
2027	275,793	9,571	3,333	0
2028-2032	140,748	1,935	16,666	0
2033-2037	0	0	16,666	0
2038-2042	0	0	16,666	0
2043-2047	0	0	18,338	0
Totals	$1,447,381	$122,124	$85,001	$0

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NOTE 13 - RISK MANAGEMENT

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

The City's coverage and deductible is as follows:

Type of Coverage	Per Occurrence	Deductible
Property/Auto insurance	$ 47,729,056	$1,000*
General liability	6,000,000	0
Police liability	6,000,000	2,500
Employee dishonesty	25,000	500
Inland marine	2,807,751	1,000
Automobile liability	6,000,000	0

* $500 for comprehensive, $1,000 on collision

There have been no significant reductions in coverage as compared to the prior year. Settled claims have not exceeded this commercial coverage in any of the past five years.

The City joined a workers' compensation group rating plan, which allows local governments to group the experience of employers for workers' compensation rating purposes. The City pays the State Workers' Compensation System a premium based on a rate per $100 of salaries.

NOTE 14 – SIGNIFICANT COMMITMENTS

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

Fund	Encumbrances
General Fund	$41,609
Public Safety Fund	13,424
Capital Improvement Fund	269,445
Other Governmental Funds	5,102
Total Governmental Funds	$329,580

NOTE 15 - CONTINGENCIES

A. Litigation

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's 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.

B. Federal and State Grants

Under the terms of federal grants, periodic audits are required and certain expenditures may be questioned as not appropriate under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. It is the opinion of management that any questioned costs will be resolved in favor of the City and that reimbursement, if any, will not have a material effect on the City's financial position.

C. Asset Retirement Obligations

GASB Statement No. 83 *"Certain Asset Retirement Obligations"* establishes criteria for determining the recognition of a liability for an Asset Retirement Obligation (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Recognition of the ARO occurs when the liability is both incurred and reasonably estimable. An ARO is incurred based on external laws, regulations, or contracts.

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

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE

For 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, "Leases," Statement No. 91, "Conduit Debt Obligations," Statement No. 92, "Omnibus 2020," and Statement No. 93, "Replacement of Interbank Offered Rates."

GASB Statement No. 87 establishes standards of accounting and financial reporting for leases.

GASB Statement No. 91 establishes a single method of reporting conduit debt obligations.

GASB Statement No. 92 establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of interbank offered rates in hedging derivative instruments and leases.

The implementation of these Statements had no effect on beginning net position/fund balance.

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REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the City's Proportionate Share of the Net Pension Liability
Last Nine Years

Ohio Public Employees Retirement System

Year	2014	2015	2016
City's proportion of the net pension liability (asset)	0.022775%	0.022775%	0.022399%
City's proportionate share of the net pension liability (asset)	$2,684,876	$2,746,920	$3,879,764
City's covered payroll	$2,768,508	$2,791,683	$2,787,758
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	96.98%	98.40%	139.17%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2014	2015	2016
City's proportion of the net pension liability (asset)	0.048701%	0.048701%	0.052831%
City's proportionate share of the net pension liability (asset)	$2,371,882	$2,522,904	$3,398,660
City's covered payroll	$1,128,427	$1,020,069	$1,137,678
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	210.19%	247.33%	298.74%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.
The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2014 is not available.
The schedule is reported as of the measurement date of the Net Pension Liability, which is the prior year end.
See notes to the required supplementary information

2017	2018	2019	2020	2021	2022
0.021968%	0.021855%	0.022271%	0.020376%	0.021016%	0.021151%
$4,988,606	$3,428,599	$6,099,513	$4,027,456	$3,112,012	$1,840,222
$2,839,842	$2,947,292	$3,012,629	$2,889,329	$2,959,936	$3,067,329
175.66%	116.33%	202.46%	139.39%	105.14%	59.99%
77.25%	84.66%	74.70%	82.17%	86.88%	92.62%

2017	2018	2019	2020	2021	2022
0.051318%	0.043238%	0.051536%	0.047761%	0.050718%	0.052273%
$3,250,451	$2,653,712	$4,206,700	$3,217,417	$3,457,493	$3,265,716
$1,172,912	$1,028,909	$1,157,079	$1,200,730	$1,316,341	$1,403,998
277.13%	257.92%	363.56%	267.96%	262.66%	232.60%
68.36%	70.91%	63.07%	69.89%	70.65%	75.03%

Schedule of City Pension Contributions
Last Ten Years

Ohio Public Employees Retirement System

Year	2013	2014	2015	2016
Contractually required contribution	$359,906	$335,002	$334,531	$340,781
Contributions in relation to the contractually required contribution	359,906	335,002	334,531	340,781
Contribution deficiency (excess)	$0	$0	$0	$0
City's covered payroll	$2,768,508	$2,791,683	$2,787,758	$2,839,842
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2013	2014	2015	2016
Contractually required contribution	$188,443	$203,535	$226,472	$233,204
Contributions in relation to the contractually required contribution	188,443	203,535	226,472	233,204
Contribution deficiency (excess)	$0	$0	$0	$0
City's covered payroll	$1,128,427	$1,020,069	$1,137,678	$1,172,912
Contributions as a percentage of covered payroll	16.70%	19.95%	19.91%	19.88%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.
Information prior to 2013 is not available.
See notes to the required supplementary information

2017	2018	2019	2020	2021	2022
$383,148	$421,768	$404,506	$414,391	$429,426	$445,995
383,148	421,768	404,506	414,391	429,426	445,995
$0	$0	$0	$0	$0	$0
$2,947,292	$3,012,629	$2,889,329	$2,959,936	$3,067,329	$3,185,679
13.00%	14.00%	14.00%	14.00%	14.00%	14.00%

2017	2018	2019	2020	2021	2022
$204,303	$232,135	$240,495	$262,527	$281,740	$288,157
204,303	232,135	240,495	262,527	281,740	288,157
$0	$0	$0	$0	$0	$0
$1,028,909	$1,157,079	$1,200,730	$1,316,341	$1,403,998	$1,440,453
19.86%	20.06%	20.03%	19.94%	20.07%	20.00%

Schedule of the City's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability
Last Six Years

Ohio Public Employees Retirement System

Year	2017	2018	2019
City's proportion of the net OPEB liability (asset)	0.020939%	0.020538%	0.020739%
City's proportionate share of the net OPEB liability (asset)	$2,114,946	$2,230,265	$2,703,816
City's covered payroll	$2,839,842	$2,947,292	$3,012,629
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	74.47%	75.67%	89.75%
Plan fiduciary net position as a percentage of the total OPEB liability	54.50%	54.14%	46.33%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2017	2018	2019
City's proportion of the net OPEB liability (asset)	0.051318%	0.043238%	0.051536%
City's proportionate share of the net OPEB liability (asset)	$2,435,965	$2,449,805	$469,315
City's covered payroll	$1,172,912	$1,028,909	$1,157,079
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	207.69%	238.10%	40.56%
Plan fiduciary net position as a percentage of the total OPEB liability	15.96%	14.13%	46.57%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 75 in 2018.
Information prior to 2017 is not available.
The schedule is reported as of the measurement date of the Net OPEB Liability.
See notes to the required supplementary information

2020	2021	2022
0.019142%	0.019858%	0.019957%
$2,644,011	($353,781)	($625,077)
$2,889,329	$2,959,936	$3,067,329
91.51%	(11.95%)	(20.38%)
47.80%	115.57%	128.23%

2020	2021	2022
0.047761%	0.050718%	0.052273%
$471,768	$537,367	$572,959
$1,200,730	$1,316,341	$1,403,998
39.29%	40.82%	40.81%
47.08%	45.42%	46.86%

Schedule of City's Other Postemployment Benefit (OPEB) Contributions
Last Ten Years

Ohio Public Employees Retirement System

Year	2013	2014	2015	2016
Contractually required contribution	$27,685	$55,834	$55,755	$56,797
Contributions in relation to the contractually required contribution	27,685	55,834	55,755	56,797
Contribution deficiency (excess)	$0	$0	$0	$0
City's covered payroll	$2,768,508	$2,791,683	$2,787,758	$2,839,842
Contributions as a percentage of covered payroll	1.00%	2.00%	2.00%	2.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2013	2014	2015	2016
Contractually required contribution	$40,686	$5,100	$5,688	$5,865
Contributions in relation to the contractually required contribution	40,686	5,100	5,688	5,865
Contribution deficiency (excess)	$0	$0	$0	$0
City's covered payroll	$1,128,427	$1,020,069	$1,137,678	$1,172,912
Contributions as a percentage of covered payroll	3.61%	0.50%	0.50%	0.50%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 75 in 2018.
Information prior to 2013 is not available.
See notes to the required supplementary information

2017	2018	2019	2020	2021	2022
$29,473	$0	$0	$0	$0	$0
29,473	0	0	0	0	0
$0	$0	$0	$0	$0	$0
$2,947,292	$3,012,629	$2,889,329	$2,959,936	$3,067,329	$3,185,679
1.00%	0.00%	0.00%	0.00%	0.00%	0.00%

2017	2018	2019	2020	2021	2022
$5,145	$5,785	$6,004	$6,582	$7,020	$7,202
5,145	5,785	6,004	6,582	7,020	7,202
$0	$0	$0	$0	$0	$0
$1,028,909	$1,157,079	$1,200,730	$1,316,341	$1,403,998	$1,440,453
0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

Notes to the Required Supplementary Information
For the Year Ended December 31, 2022

NET PENSION LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

Changes in assumptions:

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

2017: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:
- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%
- Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table.

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

2019: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:
- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

2020: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:
- Change in COLA from 3.00% to 1.4% for post 1/7/13 retirees.

2021: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:
- Change in COLA from 1.4% to 0.5% for post 1/7/13 retirees.

2022: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:
- Change in COLA from 0.5% to 3.00% for post 1/7/13 retirees.
- Reduction in actuarial assumed rate of return from 7.20% to 6.90%.
- Pre-retirement mortality rates are based on Pub-2010 General Employee/Safety Employee mortality tables.
- Post-retirement mortality rates are based on PubG-2010 Retiree mortality tables.
- Post-retirement mortality rates for disabled retirees are based on PubNS-2010 Disabled Retiree mortality tables for all divisions.

Notes to the Required Supplementary Information
For the Year Ended December 31, 2022

NET PENSION LIABILITY (Continued)

OHIO POLICE AND FIRE (OP&F) PENSION FUND

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

Changes in assumptions:

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

2018: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:
- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%
- For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006
- For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006

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

2022: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:
- Reduction in actuarial assumed rate of return from 8.00% to 7.50%

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Notes to the Required Supplementary Information
For the Year Ended December 31, 2022

NET OPEB LIABILITY (ASSET)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the periods 2018-2021.

2022: Group plans for non-Medicare retirees and re-employed retirees replaced with individual medical plans. OPERS will provide a subsidy or allowance via an HRA.

Changes in assumptions:

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

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:
- The single discount rate changed from 3.85% to 3.96%.
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%
- Change in health care cost trend rate from 7.5% to 10%
- The Municipal Bond Rate changed from 3.31% to 3.71%

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:
- The single discount rate changed from 3.96% to 3.16%.
- Change in health care cost trend rate from 10.0% to 10.5%
- The Municipal Bond Rate changed from 3.71% to 2.75%

2021: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:
- The single discount rate changed from 3.16% to 6.00%.
- Change in health care cost trend rate from 10.5% to 8.5%
- The Municipal Bond Rate changed from 2.75% to 2.00%

2022: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:
- Change in health care cost trend rate from 8.5% to 5.5%
- The Municipal Bond Rate changed from 2.00% to 1.84%
- Pre-retirement mortality rates are based on Pub-2010 General Employee/Safety Employee mortality tables.
- Post-retirement mortality rates are based on PubG-2010 Retiree mortality tables.
- Post-retirement mortality rates for disabled retirees are based on PubNS-2010 Disabled Retiree mortality tables for all divisions.

Notes to the Required Supplementary Information
For the Year Ended December 31, 2022

NET OPEB LIABILITY (ASSET) (Continued)

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms:

2018: There were no changes in benefit terms.

2019: The retiree health care model and the current self-insured health care plan were replaced with a stipend-based health care model.

2020 - 2022: There were no changes in benefit terms.

Changes in assumptions:

2018: The single discount rate changed from 3.79% to 3.24%.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:
- The single discount rate changed from 3.24% to 4.66%.

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:
- The single discount rate changed from 4.66% to 3.56%.

2021: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:
- The single discount rate changed from 3.56% to 2.96%.
- The payroll growth rate changed from 2.75% to 3.25%.

2022: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:
- The single discount rate changed from 2.96% to 2.84%.

OHIO AUDITOR OF STATE
KEITH FABER

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

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

City of Eaton
Preble County
328 North Maple Street
P.O. Box 27
Eaton, Ohio 45320

To the 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 *(Government Auditing Standards)*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eaton, Preble County, (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 4, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Keith Faber
Auditor of State
Columbus, Ohio

December 4, 2023

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF EATON

PREBLE 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 12/21/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370