bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF HARRISON
HAMILTON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2022

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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City Council
City of Harrison
300 George St.
Harrison, OH 45030

We have reviewed the *Independent Auditor's Report* of the City of Harrison, Hamilton County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2022 through December 31, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

July 14, 2023

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HAMILTON COUNTY, OHIO

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HAMILTON COUNTY, OHIO

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INDEPENDENT AUDITOR'S REPORT

City of Harrison
Hamilton County
300 George Street
Harrison, Ohio 45030

To the Members of 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 Harrison, Hamilton 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 Harrison, Hamilton 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, Street, and Fire Improvement 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.

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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 June 26, 2023, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio

June 26, 2023

The discussion and analysis of the City of Harrison, Ohio's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2022. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for the year ended December 31, 2022 include:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent year by $43,830,792.
- The City's total net position increased during the year by $8,188,795, or 23%.
- Governmental activities unrestricted net position was in a deficit of $4,297,981, primarily attributable to the City's recognition of its proportionate share of net pension and other postemployment benefit (OPEB) liabilities.
- The City's total expenses were $16,709,950, an increase of $1,378,327.
- Program revenues of $12,965,155 reduced the net cost of the City's functions to be financed from the City's general revenues to $3,744,795.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregated view of the City's finances and a longer-term view of those statements. Fund financial statements provide the next level of detail. For governmental funds, these financial statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2022?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in net position. This change informs the reader whether the City's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements should take into account non-financial factors that also impact the City's financial well-being. Some of these factors include the City's tax base and the condition of its capital assets. In the Statement of Net Position and the Statement of Activities, the financial information of the City is divided into two kinds of activities:

- Governmental Activities – Most of the City's services are reported here including police and fire protection, parks and recreation, street repair and maintenance, and general government.

- Business-Type Activities – These activities include the water, sewer, storm water, sanitation and water/wastewater deposits operations where the fees charged for these services are based upon the amount of usage and the intent is to recoup operational costs through the user fees.

Reporting the City's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about each major fund. The major funds of the City include the General, Street, Fire Improvement, Water and Sewer funds. The City uses many funds to account for a multitude of financial transactions. However, the focus of the fund financial statements is on the City's most significant funds, and therefore only the major funds are presented in separate columns. All other funds are combined into one column for reporting purposes.

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, 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 on services provided to our residents. 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

The City maintains one type of proprietary funds; enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, storm water, sanitation and water/wastewater deposit management functions. The City charges citizens for the services it provides, with the intent of recouping operating costs.

Fiduciary Funds

The financial activity of custodial funds, for which the City acts as the fiscal agent, is reported separately in the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. This financial activity is excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring the assets reported in these funds are used for their intended purposes. Custodial funds are the only fiduciary fund type used by the City.

The City as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. In the case of the City of Harrison, Ohio, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by a total of $43.8 million at December 31, 2022.

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

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	$ 20,557,127	$ 17,041,822	$ 16,576,202	$ 9,270,808	$ 37,133,329	$ 26,312,630
Capital assets	24,564,595	23,518,786	39,170,868	37,474,808	63,735,463	60,993,594
Total assets	45,121,722	40,560,608	55,747,070	46,745,616	100,868,792	87,306,224
Deferred outflows of resources	4,737,845	3,486,420	505,034	607,527	5,242,879	4,093,947
Long-term liabilities:						
Net pension liability	10,984,536	12,663,366	455,669	763,153	11,440,205	13,426,519
Net OPEB liability	1,786,295	1,757,287	-	-	1,786,295	1,757,287
Other long-term liabilities	7,662,803	7,506,451	27,401,561	19,045,843	35,064,364	26,552,294
Other liabilities	2,098,725	1,631,736	742,760	3,657,735	2,841,485	5,289,471
Total liabilities	22,532,359	23,558,840	28,599,990	23,466,731	51,132,349	47,025,571
Deferred inflows of resources	10,407,839	8,093,698	740,691	638,905	11,148,530	8,732,603
Net position:						
Net investment in capital assets	17,911,697	16,929,621	17,195,756	17,019,102	35,107,453	33,948,723
Restricted	3,305,653	2,401,570	-	1,845,204	3,305,653	4,246,774
Unrestricted (deficit)	(4,297,981)	(6,936,701)	9,715,667	4,383,201	5,417,686	(2,553,500)
Total net position	$ 16,919,369	$ 12,394,490	$ 26,911,423	$ 23,247,507	$ 43,830,792	$ 35,641,997

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

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 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 Statement No. 68 and GASB Statement No. 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 Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB liability/(asset) to equal the City's proportionate share of each plan's collective:

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

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

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

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

In accordance with GASB Statement No. 68 and GASB Statement No. 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/(asset), respectively, not accounted for as deferred inflows/outflows.

As displayed in Table 1, total net position of the City increased by $8,188,795 from 2021 to 2022. Total assets increased by 15.5%, while total liabilities increased by 8.7%.

The increase in assets was primarily in cash, net OPEB asset and capital assets. The City continued to experience positive operating results in 2022 as the local economy continues to recover from the pandemic. The net OPEB asset benefitted from positive investment growth during in measurement period. The City continued to invest in its capital assets, including improvements to roads and utility facilities and purchase of equipment.

The increase in liabilities was attributable to the City's increase debt activity during 2022. The City refunded its sewer revenue bonds with an Ohio Water Development Authority (OWDA) loan, issued $7,225,000 in sewer general obligation bonds to retire bond anticipation notes and provide project funding for Edgewood Road sewer improvements, and continued to draw on the OWDA loan for the water filtration and softener project.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 63% of total assets. Capital assets include land, construction in progress, land improvements, building and improvements, equipment, vehicles and infrastructure. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. The deficit balance reported in governmental activities is attributable to the recognition of the City's proportionate share of net pension liability and net OPEB asset and liability in accordance with GASB Statement Nos. 68 and 75. If the net pension liability and net OPEB asset and liability and related deferrals were excluded, the unrestricted net position for governmental activities would be a positive $8,903,568. As the operation of the state-wide retirement systems are outside the control of the City and varies significantly from year to year based on the performance of investments, it's important to acknowledge the significant impact the recognition of the net pension liabilities and net OPEB asset and liability have on the City's reported net position.

Table 2 shows the changes in the governmental and business-type net position for the year ended December 31, 2022 compared with the prior year.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program revenues:						
Charges for services	$ 2,294,786	$ 1,733,590	$ 8,605,317	$ 7,808,358	$ 10,900,103	$ 9,541,948
Operating grants and contributions	1,228,763	1,211,177	46,754	17,039	1,275,517	1,228,216
Capital grants and contributions	789,535	776,065	-	80,000	789,535	856,065
Total program revenues	4,313,084	3,720,832	8,652,071	7,905,397	12,965,155	11,626,229
General revenues:						
Income taxes	5,299,147	5,031,280	-	-	5,299,147	5,031,280
Property and other taxes	5,049,905	4,745,178	-	-	5,049,905	4,745,178
Grants and contributions not restricted to specific programs	919,620	845,289	-	-	919,620	845,289
Investment earnings	248,425	5,168	33,089	229	281,514	5,397
Miscellaneous	227,401	101,084	156,003	114,407	383,404	215,491
Total general revenues	11,744,498	10,727,999	189,092	114,636	11,933,590	10,842,635
Total revenues	16,057,582	14,448,831	8,841,163	8,020,033	24,898,745	22,468,864
Expenses:						
Security of persons and property	8,283,027	8,209,766	-	-	8,283,027	8,209,766
Public health services	299,361	265,474	-	-	299,361	265,474
Leisure time activities	184,535	78,177	-	-	184,535	78,177
Community and economic development	281,783	207,067	-	-	281,783	207,067
Transportation	1,415,774	1,106,754	-	-	1,415,774	1,106,754
General government	1,020,386	958,263	-	-	1,020,386	958,263
Interest on long-term debt	82,837	121,070	-	-	82,837	121,070
Water	-	-	1,844,395	1,323,983	1,844,395	1,323,983
Sewer	-	-	2,632,102	2,269,448	2,632,102	2,269,448
Storm water	-	-	48,322	54,549	48,322	54,549
Water/wastewater deposit	-	-	7,989	3,505	7,989	3,505
Sanitation	-	-	609,439	733,567	609,439	733,567
Total expenses	11,567,703	10,946,571	5,142,247	4,385,052	16,709,950	15,331,623
Excess (deficiency) before transfers	4,489,879	3,502,260	3,698,916	3,634,981	8,188,795	7,137,241
Transfers	35,000	(30,000)	(35,000)	30,000	-	-
Change in net position	4,524,879	3,472,260	3,663,916	3,664,981	8,188,795	7,137,241
Beginning net position	12,394,490	8,922,230	23,247,507	19,582,526	35,641,997	28,504,756
Ending net position	$ 16,919,369	$ 12,394,490	$ 26,911,423	$ 23,247,507	$ 43,830,792	$ 35,641,997

Governmental Activities

Total governmental activities revenue increased by $1,608,751, or 11%. The increase was driven by continued improvement in the local economy, as evidenced by the decline in Hamilton County's unemployment rate (3.6% in 2022 vs. 4.9% in 2021) that resulted in higher income tax collections. Additionally, charges for services revenue grew during the year due to: 1) license, permit and inspections associated with new businesses in the City and several new subdivisions on annexed City land, and 2) EMS receipts due to increased transports and engaging the Ohio Attorney General to collect old outstanding transport invoices.

Total governmental activities expenses increased by $621,132, or 6%. Virtually all of the City's functions, except for interest on long-term debt, experienced increases. Approximately half of the increase was due to an increase in OPEB expenses. The financial performance of the state-wide retirement systems can vary significantly between years due to investment market fluctuations, changes in assumptions and differences between actuarial assumptions and actual results, all of which are beyond the control of the City's management. The other sources of expense growth were due to wage increases, ranging from 3% to 5% for most City departments and 8.5% for police, and general inflationary increases for fuel, utilities and maintenance and repair of vehicles.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services and operating and capital grants offsetting those services. The net cost of services identifies the cost of those services supported by income and property taxes revenues and unrestricted intergovernmental revenue.

Table 3
Governmental Activities

	Total Cost of Services 2022	Net Cost of Services 2022	Total Cost of Services 2021	Net Cost of Services 2021
Security of persons and property	$ 8,283,027	$ 6,926,640	$ 8,209,766	$ 7,088,903
Public health services	299,361	95,332	265,474	93,762
Leisure time activities	184,535	22,198	78,177	(25,377)
Community and economic development	281,783	(140,844)	207,067	(74,002)
Transportation	1,415,774	(136,493)	1,106,754	(538,212)
General government	1,020,386	404,949	958,263	559,595
Interest on long-term debt	82,837	82,837	121,070	121,070
Total cost of services	$ 11,567,703	$ 7,254,619	$ 10,946,571	$ 7,225,739

It should be noted that 37% of the cost of services for governmental activities are derived from program revenues, including charges for services and operating and capital grants. As shown by the total net costs of $7,254,619, the majority of the City's programs are funded by general revenues. A significant portion of the total general revenues consists of income and property taxes.

Business-Type Activities

The City's major business-type activities include water and sewer operations. The utility operations experienced growth during 2022, with the Water Fund reporting operating income of $865,537 and the Sewer Fund reporting operating income of $3,042,500. This growth was primarily due to increases in the water and sewer rates in February 2022. Expenses were also up in both funds, due to an increase in OPEB expenses, as previously discussed, an increase in overtime for employees learning the new water filtration system, and software conversions for a new billing system and new control monitoring system.

The City's Funds

Information about the City's major governmental funds begins after the Statement of Activities. These funds are reported using the modified accrual basis of accounting. Governmental funds had total revenues of $16.1 million, expenditures of $13.8 million, and net other financing sources of $0.8 million. During 2022, total fund balance of the governmental funds increased by approximately $3.1 million to a total fund balance at year-end of $11.9 million. While capital assets are included in the statement of net position, expenditures are recognized in the fund statements thereby reducing the amount of resources available for future spending. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City's General Fund experienced an increase in fund balance during 2022 of $1,834,109. The General Fund is the primary fund that finances government services to citizens. The increase in fund balance was $1,171,609 higher than the prior year's increase of $662,500. While expenditures were relatively comparable with the prior year, the General Fund benefitted from higher income taxes and licenses, permits and inspections, as previously discussed, and higher investment earnings, with the City consolidating its investment portfolio by redeeming old investments and investing more in STAR Ohio.

The Street Fund experienced an increase of $234,623 during 2022. This fund is used to account for state gasoline and motor vehicle license taxes received to improve and maintain the City's streets. During 2022, the City purchased a Freightliner under lease-purchase financing.

The Fire Improvement Fund increased by $325,008, comparable with the prior year.

Explanation of the changes in the major enterprise funds of the City follow the same explanations as those provided in the assessment of the business-type activities noted above since enterprise funds are accounted for using full accrual accounting, the same accounting basis used in the City-wide statements.

General Fund Budgeting Highlights

The City's budget is adopted on a fund basis. Before the budget is adopted, Council reviews the budgets of each department within the General Fund and other funds, and then adopts the budget. The legal level of budgetary control is at the object level. During 2022, the City amended its original budgetary amounts several times as certain information became known. Within each departmental budget, the Finance Director may make small line-item adjustments within the budget, as long as the total operational and maintenance amount does not exceed their budgetary allotment.

The final budget for estimated revenues increased 3% from the original budget to account for increases in licenses, permits and inspections. Actual revenues came in approximately $0.5 million higher than budgeted, as the anticipated income tax collections and interest earnings were above expectations.

The final budget for expenditures was lower from the original budget, decreasing by 3% due to utilizing other funds for capital outlay and debt service. Due to the City's continuing efforts to monitor and control expenditures, actual budgetary expenditures came in approximately $0.6 million less than the final budget for 2022.

Capital Assets

At the end of fiscal year 2022, the City had a total of $99.0 million invested in capital assets, less accumulated depreciation of $35.3 million, resulting in total capital assets, net of accumulated depreciation, of $63.7 million. The City continued its efforts to upgrade its capital assets during 2022. The City completed May Drive improvements, while construction began on Park Avenue improvements. Additionally, the City continued work on a filtration system and water softening improvements for its water operations.

Table 4 shows 2022 balances compared to those of 2021:

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	$ 3,015,891	$ 3,015,891	$ 485,420	$ 485,420	$ 3,501,311	$ 3,501,311
Construction in progress	1,172,634	289,858	8,500,344	6,000,063	9,672,978	6,289,921
Buildings and improvements	1,447,240	1,513,409	5,141,025	5,268,716	6,588,265	6,782,125
Furniture and equipment	662,951	503,718	1,392,874	1,360,445	2,055,825	1,864,163
Vehicles	1,571,715	1,341,096	511,407	504,941	2,083,122	1,846,037
Infrastructure	16,694,164	16,854,814	23,139,798	23,855,223	39,833,962	40,710,037
Totals	$ 24,564,595	$ 23,518,786	$ 39,170,868	$ 37,474,808	$ 63,735,463	$ 60,993,594

Additional information on the City's capital assets can be found in Note 7 to the basic financial statements.

Debt Administration

At December 31, 2022, the City had a total of $33.6 million of long-term debt obligations compared with $25.1 million reported at December 31, 2021. Table 5 shows outstanding debt obligations of the City at December 31, 2022 compared with 2021:

Table 5

Outstanding Long-term Debt Obligations at Year end

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	$ 2,490,000	$ 2,695,000	$ 10,730,000	$ 3,765,000	$ 13,220,000	$ 6,460,000
Promissory Notes	257,570	71,586	-	-	257,570	71,586
Lease-Purchase Obligations	796,344	920,370	211,211	315,225	1,007,555	1,235,595
OPWC Loans	2,973,669	2,766,007	598,236	711,575	3,571,905	3,477,582
OWDA Loans	-	-	15,527,308	5,807,057	15,527,308	5,807,057
Revenue Bonds	-	-	-	8,020,000	-	8,020,000
Total	$ 6,517,583	$ 6,452,963	$ 27,066,755	$ 18,618,857	$ 33,584,338	$ 25,071,820

Of the City's general obligation bonds outstanding at December 31, 2022, $2.5 million are accounted for within the governmental activities and the remaining $10.7 million are reported in the Sewer Fund.

OPWC loans represent interest-free loans from the State of Ohio and are paid from general revenues of the General Fund and from charges for services in the Sewer and Storm Water Funds. The OWDA loans outstanding at year-end are associated with the City's Water enterprise fund and are paid with the revenue sources of that fund.

During 2022, the City issued $7.2 million in sewer general obligation bonds, $10.0 million in OWDA loans, $0.4 in OPWC loans, $0.2 million in promissory notes and $0.1 million lease-purchase obligations, while refunding $8.0 million in sewer revenue bonds and retiring $2.2 million in sewer bond anticipation notes.

See Note 12 of the notes to the basic financial statements for more detailed information on the debt obligations of the City.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department at City of Harrison, Ohio, 300 George Street, Harrison, Ohio 45030.

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

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and investments	$ 12,381,009	$ 10,209,036	$ 22,590,045
Cash in segregated accounts	29,044	-	29,044
Receivables:			
Property and other taxes	4,396,305	-	4,396,305
Payment in lieu of taxes	713,249	-	713,249
Income taxes	1,642,802		1,642,802
Accounts	159,354	982,582	1,141,936
Intergovernmental	792,426	-	792,426
Prepaid items	112,701	41,164	153,865
Materials and supplies inventory	8,361	72,781	81,142
Restricted cash and investments	-	5,088,008	5,088,008
Net OPEB asset	321,876	182,631	504,507
Non-depreciable capital assets	4,188,525	8,985,764	13,174,289
Depreciable capital assets, net	20,376,070	30,185,104	50,561,174
Total assets	45,121,722	55,747,070	100,868,792
Deferred Outflows of Resources			
Deferred loss on refunding	-	273,875	273,875
Pensions	3,665,443	223,129	3,888,572
OPEB	1,072,402	8,030	1,080,432
Total deferred outflows of resources	4,737,845	505,034	5,242,879
Liabilities			
Accounts payable	122,188	219,624	341,812
Retainage payable	52,423	270,240	322,663
Accrued salaries	856,995	82,533	939,528
Intergovernmental payable	134,378	16,795	151,173
Accrued interest payable	15,759	153,568	169,327
Unearned revenue	916,982	-	916,982
Long-term liabilities:			
Due within one year	963,732	2,248,904	3,212,636
Due more than one year:			
Net pension liability	10,984,536	455,669	11,440,205
Net OPEB liability	1,786,295	-	1,786,295
Other long-term amounts due more than one year	6,699,071	25,152,657	31,851,728
Total liabilities	22,532,359	28,599,990	51,132,349
Deferred Inflows of Resources			
Deferred gain on refunding	38,500	-	38,500
Property taxes and payment in lieu of taxes levied for next year	4,878,900	-	4,878,900
Pensions	4,497,012	551,996	5,049,008
OPEB	993,427	188,695	1,182,122
Total deferred inflows of resources	10,407,839	740,691	11,148,530
Net Position			
Net investment in capital assets	17,911,697	17,195,756	35,107,453
Restricted for:			
Capital projects	1,113,828	-	1,113,828
Debt service	32,281	-	32,281
Streets and highways	565,775	-	565,775
Recreation	853,732	-	853,732
Public safety	702,298	-	702,298
Other purposes	37,739	-	37,739
Unrestricted (deficit)	(4,297,981)	9,715,667	5,417,686
Total net position	$ 16,919,369	$ 26,911,423	$ 43,830,792

See accompanying notes.

CITY OF HARRISON, OHIO
Statement of Activities
Year Ended December 31, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental activities:							
Security of persons and property	$ 8,283,027	$ 1,303,533	$ 52,854	$ -	$ (6,926,640)	$ -	$ (6,926,640)
Public health services	299,361	172,749	31,280	-	(95,332)	-	(95,332)
Leisure time activities	184,535	142,841	19,496	-	(22,198)	-	(22,198)
Community and economic development	281,783	422,627	-	-	140,844	-	140,844
Transportation	1,415,774	9,380	753,352	789,535	136,493	-	136,493
General government	1,020,386	243,656	371,781	-	(404,949)	-	(404,949)
Interest on long-term debt	82,837	-	-	-	(82,837)	-	(82,837)
Total governmental activities	11,567,703	2,294,786	1,228,763	789,535	(7,254,619)	-	(7,254,619)
Business-type activities:							
Water	1,844,395	2,596,142	46,754	-	-	798,501	798,501
Sewer	2,632,102	5,241,007	-	-	-	2,608,905	2,608,905
Other business-type activities:							
Storm Water	48,322	45,193	-	-	-	(3,129)	(3,129)
Water/Wastewater deposit	7,989	4,626	-	-	-	(3,363)	(3,363)
Sanitation	609,439	718,349	-	-	-	108,910	108,910
Total business-type activities	5,142,247	8,605,317	46,754	-	-	3,509,824	3,509,824
Total	$ 16,709,950	$ 10,900,103	$ 1,275,517	$ 789,535	(7,254,619)	3,509,824	(3,744,795)
General revenues:							
Income taxes levied for general purposes					5,299,147	-	5,299,147
Property taxes levied for:							
General purposes					1,613,213	-	1,613,213
Fire improvements					2,458,987	-	2,458,987
Police pension					95,440	-	95,440
Recreation					19,630	-	19,630
Capital projects					145,005	-	145,005
Payments in lieu of taxes					717,630	-	717,630
Grants and contributions not restricted to specific programs					919,620	-	919,620
Investment earnings					248,425	33,089	281,514
Miscellaneous					227,401	156,003	383,404
Transfers					35,000	(35,000)	-
Total general revenues and transfers					11,779,498	154,092	11,933,590
Change in net position					4,524,879	3,663,916	8,188,795
Net position beginning of year					12,394,490	23,247,507	35,641,997
Net position end of year					$ 16,919,369	$ 26,911,423	$ 43,830,792

See accompanying notes.

CITY OF HARRISON, OHIO
Balance Sheet
Governmental Funds
December 31, 2022

	General	Street	Fire Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash and investments	$ 6,876,331	$ 395,039	$ 979,257	$ 4,130,382	$ 12,381,009
Cash in segregated accounts	11,937	-	-	17,107	29,044
Receivables:					
Property and other taxes	1,864,726	-	2,405,597	125,982	4,396,305
Payment in lieu of taxes	-	-	-	713,249	713,249
Income taxes	1,642,802	-	-	-	1,642,802
Accounts	37,160	2,520	78,110	41,564	159,354
Intergovernmental	347,056	323,514	94,949	26,907	792,426
Prepaid items	54,840	8,385	41,009	8,467	112,701
Materials and supplies inventory	-	8,361	-	-	8,361
Total assets	$ 10,834,852	$ 737,819	$ 3,598,922	$ 5,063,658	$ 20,235,251
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	$ 38,367	$ 7,250	$ 28,324	$ 48,247	$ 122,188
Retainage payable	-	52,423	-	-	52,423
Accrued salaries	455,044	63,676	332,251	6,024	856,995
Intergovernmental payable	67,200	6,965	56,694	3,519	134,378
Unearned revenue	-	-	-	916,982	916,982
Total liabilities	560,611	130,314	417,269	974,772	2,082,966
Deferred Inflows of Resources					
Property taxes and payment in lieu of taxes levied for next year	1,794,400	-	2,304,800	779,700	4,878,900
Unavailable revenue	916,563	215,676	195,289	50,292	1,377,820
Total deferred inflows of resources	2,710,963	215,676	2,500,089	829,992	6,256,720
Fund balances					
Nonspendable	54,840	16,746	41,009	8,467	121,062
Restricted	-	375,083	640,555	2,288,092	3,303,730
Committed	732,471	-	-	335,516	1,067,987
Assigned	122,742	-	-	626,819	749,561
Unassigned	6,653,225	-	-	-	6,653,225
Total fund balances	7,563,278	391,829	681,564	3,258,894	11,895,565
Total liabilities, deferred inflows of resources and fund balances	$ 10,834,852	$ 737,819	$ 3,598,922	$ 5,063,658	$ 20,235,251

See accompanying notes.

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

Total governmental fund balances		$ 11,895,565
Amounts reported for governmental activities in the statement of net position are are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		24,564,595
Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.		1,377,820
In the statement of net position, interest is accrued on outstanding bonds and loans, whereas in governmental funds, interest is accrued when due.		(15,759)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	(2,534,392)	
OPWC loan payable	(2,973,669)	
Lease-purchase obligations	(796,344)	
Promissory notes	(257,570)	
Compensated absences payable	(1,100,828)	(7,662,803)
Governmental funds report the effect of bond refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		(38,500)
The net pension and OPEB liabilities are not due and payable in the current period; net OPEB assets are not available to pay current period expenditures; therefore, the assets, liabilities and related deferred outflows/inflows are not reported in governmental funds:		
Deferred outflows - pensions	3,665,443	
Deferred inflows - pensions	(4,497,012)	
Net pension liability	(10,984,536)	
Deferred outflows - OPEB	1,072,402	
Deferred inflows - OPEB	(993,427)	
Net OPEB asset	321,876	
Net OPEB liability	(1,786,295)	(13,201,549)
Net position of governmental activities		$ 16,919,369

See accompanying notes.

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

	General	Street	Fire Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property and other taxes	$ 1,601,981	$ -	$ 2,441,766	$ 259,359	$ 4,303,106
Income taxes	5,401,925	-	-	-	5,401,925
Payment in lieu of taxes	-	-	-	690,381	690,381
Intergovernmental	718,458	1,135,803	215,366	858,352	2,927,979
Charges for services	118,625	9,320	1,137,256	273,691	1,538,892
Fines, costs and forfeitures	128,516	-	-	25,027	153,543
Licenses, permits and inspections	527,945	60	1,160	-	529,165
Special assessments	-	-	-	3,441	3,441
Interest	248,425	-	-	-	248,425
Contributions	73,206	-	2,855	30,450	106,511
Other	195,504	8,376	10,491	5,718	220,089
Total revenues	9,014,585	1,153,559	3,808,894	2,146,419	16,123,457
Expenditures					
Current:					
Security of persons and property	3,378,107	-	4,367,905	6,831	7,752,843
Public health services	19,543	-	-	274,410	293,953
Leisure time activities	85,559	-	-	134,122	219,681
Community and economic development	353,537	-	-	5,025	358,562
Transportation	-	883,371	-	32,779	916,150
General government	873,453	-	-	413,299	1,286,752
Capital outlay	26,542	635,747	230,447	1,258,377	2,151,113
Debt Service:					
Principal retirement	198,021	22,435	208,455	278,364	707,275
Interest and fiscal charges	16,738	1,515	19,708	67,955	105,916
Total expenditures	4,951,500	1,543,068	4,826,515	2,471,162	13,792,245
Excess (deficiency) of revenues over (under) expenditures	4,063,085	(389,509)	(1,017,621)	(324,743)	2,331,212
Other financing sources (uses)					
Transfers in	85,000	490,000	1,200,000	663,976	2,438,976
Transfers out	(2,313,976)	(5,000)	(80,000)	(5,000)	(2,403,976)
Issuance of OPWC loans	-	-	-	415,574	415,574
Proceeds from sale of assets	-	5,080	360	-	5,440
Issuance of promissory notes	-	-	222,269	-	222,269
Lease-purchase agreement	-	134,052	-	-	134,052
Total other financing sources (uses)	(2,228,976)	624,132	1,342,629	1,074,550	812,335
Net change in fund balances	1,834,109	234,623	325,008	749,807	3,143,547
Fund balance, beginning of year	5,729,169	157,206	356,556	2,509,087	8,752,018
Fund balance, end of year	$ 7,563,278	$ 391,829	$ 681,564	$ 3,258,894	$ 11,895,565

See accompanying notes.

CITY OF HARRISON, OHIO
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended December 31, 2022

Net change in fund balances - total governmental funds	$ 3,143,547
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:	
Capital asset additions	1,479,402
Depreciation expense	(727,874)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, rather these revenues are unavailable.	(70,829)
Some expenses reported in the statement of activities do not require the use current financial resources and therefore are not reported as expenditures in governmental funds:	
Compensated absences	(95,484)
Interest on long-term debt	16,119
Amortization of bond premiums	3,752
Amortization of deferred gain on refunding	3,208
Repayment of long-term obligations is reported as an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position. In the current year, theses amounts consisted of general obligation bonds, OPWC loans, and capital leases.	707,275
Long-term debt proceeds are recorded as other financing sources in the governmental funds as other financing sources, but are reported as increases of long-term liabilities in the statement of net position.	(771,895)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:	
Pensions	1,182,069
OPEB	30,661
Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB assets/liabilities are reported as pension and OPEB expense in the statement of activities:	
Pensions	(746,809)
OPEB	77,456
Change in net position of governmental activities	$ 4,524,879

See accompanying notes.

CITY OF HARRISON, OHIO

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

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues				
Property and other taxes	$ 1,937,500	$ 1,639,645	$ 1,601,981	$ (37,664)
Income taxes	4,852,600	4,972,600	5,261,900	289,300
Intergovernmental	440,500	523,055	591,139	68,084
Charges for services	85,900	85,900	106,176	20,276
Fines, costs and forfeitures	165,000	165,000	132,443	(32,557)
Licenses, permits and inspections	322,100	600,100	506,613	(93,487)
Interest	15,000	40,000	248,425	208,425
Contributions	-	20,000	29,277	9,277
Other	101,300	102,300	207,742	105,442
Total revenues	7,919,900	8,148,600	8,685,696	537,096
Expenditures				
Current:				
General government	1,227,205	1,166,855	920,616	246,239
Security of persons and property	3,511,609	3,558,497	3,335,135	223,362
Public health services	19,300	19,550	19,543	7
Community and economic development	391,343	413,143	367,282	45,861
Leisure time activity	31,846	51,846	48,950	2,896
Capital outlay	125,200	41,465	26,542	14,923
Debt service	362,300	240,900	147,356	93,544
Total expenditures	5,668,803	5,492,256	4,865,424	626,832
Excess of revenues over expenditures	2,251,097	2,656,344	3,820,272	1,163,928
Other financing uses				
Transfers out	(2,299,800)	(2,969,700)	(2,382,476)	587,224
Net change in fund balance	(48,703)	(313,356)	1,437,796	$ 1,751,152
Fund balance, beginning of year	3,935,456	3,935,456	3,935,456	
Prior year encumbrances appropriated	68,703	68,703	68,703	
Fund balance, end of year	$ 3,955,456	$ 3,690,803	$ 5,441,955	

See accompanying notes.

CITY OF HARRISON, OHIO
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budget (Non-GAAP) Basis
Street Fund - Major Special Revenue Fund
Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues				
Intergovernmental	$ 771,200	$ 737,000	$ 789,495	$ 52,495
Charges for services	5,000	5,000	7,830	2,830
Licenses, permits and inspections	-	-	60	60
Other	-	-	8,376	8,376
Total revenues	776,200	742,000	805,761	63,761
Expenditures				
Current:				
Transportation	1,180,479	1,116,160	1,049,405	66,755
Capital outlay	-	51,000	50,435	565
Debt service	23,950	23,950	23,950	-
Total expenditures	1,204,429	1,191,110	1,123,790	67,320
Excess expenditures over revenues	(428,229)	(449,110)	(318,029)	131,081
Other financing sources (uses)				
Proceeds from sale of assets	-	-	5,080	5,080
Transfers in	320,100	490,000	490,000	-
Transfers out	(5,000)	(5,000)	(5,000)	-
Total other financing sources (uses)	315,100	485,000	490,080	5,080
Net change in fund balance	(113,129)	35,890	172,051	$ 136,161
Fund balance, beginning of year	(35,406)	(35,406)	(35,406)	
Prior year encumbrances appropriated	113,129	113,129	113,129	
Fund balance, end of year	$ (35,406)	$ 113,613	$ 249,774	

See accompanying notes.

CITY OF HARRISON, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budget (Non-GAAP) Basis
Fire Improvement Fund - Major Special Revenue Fund
Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues				
Property and other taxes	$ 2,648,700	$ 2,219,215	$ 2,441,766	$ 222,551
Intergovernmental	75,500	176,380	214,909	38,529
Charges for services	922,600	1,042,600	1,088,448	45,848
Licenses, permits and inspections	1,100	1,100	1,085	(15)
Contributions	-	2,000	2,355	355
Other	3,200	3,200	10,491	7,291
Total revenues	3,651,100	3,444,495	3,759,054	314,559
Expenditures				
Current:				
Security of persons and property	4,691,514	4,609,218	4,390,579	218,639
Capital outlay	10,000	13,500	8,178	5,322
Debt service	228,163	228,163	228,163	-
Total expenditures	4,929,677	4,850,881	4,626,920	223,961
Excess expenditures over revenues	(1,278,577)	(1,406,386)	(867,866)	538,520
Other financing sources (uses)				
Sale of assets	-	-	360	360
Transfers in	1,330,200	1,630,200	1,200,000	(430,200)
Transfers out	(80,000)	(80,000)	(80,000)	-
Total other financing sources (uses)	1,250,200	1,550,200	1,120,360	(429,840)
Net change in fund balance	(28,377)	143,814	252,494	$ 108,680
Fund balance, beginning of year	378,932	378,932	378,932	
Prior year encumbrances appropriated	28,377	28,377	28,377	
Fund balance, end of year	$ 378,932	$ 551,123	$ 659,803	

See accompanying notes.

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

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Non-major	Total
Assets				
Current assets:				
Equity in pooled cash and investments	$ 2,027,989	$ 7,725,694	$ 455,353	$ 10,209,036
Receivables:				
Accounts	296,929	576,929	108,724	982,582
Prepaid items	12,833	28,331	-	41,164
Materials and supplies inventory	68,799	3,982	-	72,781
Total current assets	2,406,550	8,334,936	564,077	11,305,563
Noncurrent assets:				
Restricted cash and investments	-	5,088,008	-	5,088,008
Net OPEB asset	77,694	104,937	-	182,631
Non-depreciable capital assets	8,820,732	165,032	-	8,985,764
Depreciable capital assets, net	10,060,087	18,496,156	1,628,861	30,185,104
Total noncurrent assets	18,958,513	23,854,133	1,628,861	44,441,507
Total assets	21,365,063	32,189,069	2,192,938	55,747,070
Deferred outflows of resources				
Deferred charge on refunding	-	273,875	-	273,875
Pensions	89,274	133,855	-	223,129
OPEB	3,205	4,825	-	8,030
Total deferred outflows of resources	92,479	412,555	-	505,034
Liabilities				
Current liabilities:				
Accounts payable	77,914	86,094	55,616	219,624
Retainage payable	270,240	-	-	270,240
Accrued salaries	19,179	63,354	-	82,533
Intergovernmental payable	7,158	9,637	-	16,795
Accrued interest payable	28,538	125,030	-	153,568
Compensated absences payable, current portion of	16,782	29,795	-	46,577
Lease-purchase obligations, current portion of	-	104,455	-	104,455
General obligation bonds payable, current portion of	-	605,000	-	605,000
OPWC loans payable, current portion of	-	92,308	21,030	113,338
OWDA loans payable, current portion of	289,163	1,090,371	-	1,379,534
Total current liabilities	708,974	2,206,044	76,646	2,991,664
Long-term liabilities:				
Lease-purchase obligations, net of current portion	-	106,756	-	106,756
General obligation bonds payable, net of current portion	-	10,125,000	-	10,125,000
OPWC loans payable, net of current portion	-	369,233	115,665	484,898
OWDA loans payable, net of current portion	8,243,460	5,904,314	-	14,147,774
Compensated absences payable, net of current portion	91,106	197,123	-	288,229
Net pension liability	193,848	261,821	-	455,669
Total long-term liabilities	8,528,414	16,964,247	115,665	25,608,326
Total liabilities	9,237,388	19,170,291	192,311	28,599,990
Deferred inflows of resources				
Pensions	234,827	317,169	-	551,996
OPEB	80,274	108,421	-	188,695
Total deferred inflows of resources	315,101	425,590	-	740,691
Net Position				
Net investment in capital assets	10,077,956	5,625,634	1,492,166	17,195,756
Unrestricted	1,827,097	7,380,109	508,461	9,715,667
Total net position	$ 11,905,053	$ 13,005,743	$ 2,000,627	$ 26,911,423

See accompanying notes.

CITY OF HARRISON, OHIO
Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Non-major	Total
Operating revenues				
Charges for services	$ 2,596,142	$ 5,241,007	$ 768,168	$ 8,605,317
Other	10,550	145,453	-	156,003
Total operating revenues	2,606,692	5,386,460	768,168	8,761,320
Operating expenses				
Personnel services	348,824	762,819	-	1,111,643
Contractual services	282,644	614,029	617,428	1,514,101
Supplies and materials	265,818	159,137	-	424,955
Other	443,191	251,600	-	694,791
Depreciation	400,678	556,375	48,322	1,005,375
Total operating expenses	1,741,155	2,343,960	665,750	4,750,865
Operating income	865,537	3,042,500	102,418	4,010,455
Non-operating revenues (expenses):				
Intergovernmental revenue	46,754	-	-	46,754
Interest revenue	-	33,089	-	33,089
Interest expense and fiscal charges	(103,240)	(288,142)	-	(391,382)
Total non-operating revenues (expenses)	(56,486)	(255,053)	-	(311,539)
Income before transfers	809,051	2,787,447	102,418	3,698,916
Transfers in	-	92,309	-	92,309
Transfers out	(10,000)	(25,000)	(92,309)	(127,309)
Change in net position	799,051	2,854,756	10,109	3,663,916
Net position, beginning of year	11,106,002	10,150,987	1,990,518	23,247,507
Net position, end of year	$ 11,905,053	$ 13,005,743	$ 2,000,627	$ 26,911,423

See accompanying notes.

CITY OF HARRISON, OHIO
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Non-major	Total
Cash flows from operating activities				
Cash received from customers	$ 2,691,001	$ 5,411,056	$ 786,190	$ 8,888,247
Cash payments for employee services and benefits	(501,875)	(940,832)	-	(1,442,707)
Cash payments to suppliers for goods and services	(1,731,688)	(704,175)	(616,734)	(3,052,597)
Cash payments for other operating expenses	(443,191)	(251,600)	-	(694,791)
Cash received from other operating revenue	10,550	145,453	-	156,003
Net cash from operating activities	24,797	3,659,902	169,456	3,854,155
Cash flows from noncapital financing activities				
Transfers	(10,000)	67,309	(92,309)	(35,000)
Intergovernmental	46,754	-	-	46,754
Net cash from noncapital financing activities	36,754	67,309	(92,309)	11,754
Cash flows from capital and related financing activities				
Acquisition of capital assets	(2,058,733)	(341,911)	-	(2,400,644)
Proceeds from bonds payable	-	7,225,000	-	7,225,000
Proceeds from loans	3,042,797	6,994,685	-	10,037,482
Principal retirement	(319,040)	(10,732,711)	(21,030)	(11,072,781)
Interest paid	(79,776)	(120,051)	-	(199,827)
Net cash from capital and related financing activities	585,248	3,025,012	(21,030)	3,589,230
Cash flows from investing activities				
Interest	-	33,089	-	33,089
Net change	646,799	6,785,312	56,117	7,488,228
Cash and pooled investments beginning of year	1,381,190	6,028,390	399,236	7,808,816
Cash and pooled investments end of year	$ 2,027,989	$ 12,813,702	$ 455,353	$ 15,297,044
Reconciliation of operating income to net cash from operating activities:				
Operating income	$ 865,537	$ 3,042,500	$ 102,418	$ 4,010,455
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	400,678	556,375	48,322	1,005,375
Changes in deferred outflows - pensions and OPEB	(19,046)	(25,934)	-	(44,980)
Changes in deferred inflows - pensions and OPEB	31,143	70,643	-	101,786
Changes in assets and liabilities:				
Receivables	94,859	170,049	18,022	282,930
Prepaid items	(1,577)	(2,341)	-	(3,918)
Materials and supplies inventory	(15,141)	290	-	(14,851)
Accounts payable	(1,166,508)	71,042	694	(1,094,772)
Accrued salaries	1,620	(18,453)	-	(16,833)
Intergovernmental payable	1,182	575	-	1,757
Compensated absences payable	10,051	5,966	-	16,017
Net pension liability	(145,331)	(162,153)	-	(307,484)
Net OPEB asset	(32,670)	(48,657)	-	(81,327)
Net cash from operating activities	$ 24,797	$ 3,659,902	$ 169,456	$ 3,854,155

	Water	Sewer	Non-major
Schedule of non-cash capital and related financing activities:			
Capital assets acquired through accounts payable	$ 300,791	-	-

See accompanying notes.

CITY OF HARRISON, OHIO
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2022

Assets	
Equity in pooled cash and investments	$ 197,161
Cash in segregated accounts	3,443
Receivables:	
Income taxes	40,968
Total assets	241,572
Liabilities	
Intergovernmental payable	241,572
Net Position	
Restricted for other governments and organizations	$ -

See accompanying notes.

CITY OF HARRISON, OHIO

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

Additions	
Collections for other governments and organizations:	
Income taxes	$ 102,583
Fines, costs and forfeitures	43,522
Total additions	146,105
Deductions	
Administrative expenses	400
Distributions of income taxes	102,183
Distributions to state, local governments and others	43,522
Total deductions	146,105
Change in fiduciary net position	-
Net position, beginning of year	-
Net position, end of year	$ -

See accompanying notes.

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Harrison are prepared in conformity with generally accepted accounting principles (GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies used in the preparation of these financial statements are summarized below.

A. Reporting Entity

The City of Harrison, Ohio (the "City") is a charter city and operates under the Mayor-Council form of government. A seven-member council is elected and the council selects one of its members to serve as mayor.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are fairly presented. The primary government of the City consists of all funds and departments that comprise the legal entity of the City. They provide various services including police, fire, court, park and recreation, water sewage and sanitary services, street and sewer maintenance.

Included as part of the City's primary government in the determination of the City's reporting entity is the Harrison Mayor's Court (the "Court"). Although the Court's territorial jurisdiction extends beyond the boundaries of the City, the Court's operations are not legally separate from the City. Monies held by the Court in a fiduciary capacity are included in a custodial fund in the accompanying basic financial statements.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

Jointly Governed Organization

Harrison Township-City of Harrison Joint Economic Development District
In an effort to facilitate economic development and to create and preserve jobs, the City has entered into a contract with Harrison Township to create a Joint Economic Development District (JEDD). In accordance with State law, the District's Board of Trustees levied a 1% income tax. The proceeds of that tax are allocated, in accordance with the contract, to the City and the Township. The City and the Township will utilize these JEDD revenues, in part, to construct infrastructure and improvement in the District. The City received $123,735 in revenues through the JEDD in 2022.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *– continued*

B. Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. The statements distinguish between those activities that are governmental in nature, which are normally supported by taxes and intergovernmental revenues; and business-type activities, which rely to a significant extent upon fees and charges for support. Interfund activities are generally eliminated to avoid the "doubling-up" effect on revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation.

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 of the City's governmental activities. 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 not classified as program revenues are presented as general revenues. The comparison of expenses with program revenues identifies the extent to which each governmental function or business-type segment is self-financing or relies upon general revenues of the City.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. All other funds are aggregated and reported as non-major governmental or non-major proprietary funds.

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities, deferred inflows of resources and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Governmental funds are those through which most governmental functions typically are financed. The following are the City's major governmental funds:

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

Street Fund – This fund accounts for the portion of state gasoline tax and motor vehicle registration fees restricted for the improvement and maintenance of the streets within the City.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

B. Basis of Presentation - *continued*

Fire Improvement Fund – This fund accounts for voted property taxes and contracts that relate to the operation of the fire department.

Proprietary funds are used to account for the City's ongoing activities that are similar to those found in the private sector where the intent of the governing body is that the cost of providing goods and services to the general public be financed or recovered primarily through user charges. Proprietary funds are either classified as enterprise or internal service. The City does not have any internal service funds.

Water Fund - Accounts for the provision of water service to the City and surrounding areas.

Sewer Fund - Accounts for the provision of sanitary sewer service to the City and surrounding areas.

The other enterprise funds of the City are used to account for storm water, water/wastewater deposits and sanitation.

Fiduciary Funds. The City's only fiduciary funds are custodial funds. Custodial funds are used to account for assets held in a fiduciary capacity on behalf of others. The City’s custodial funds account for monies held by the Mayor’s Court in a fiduciary capacity and to account for the administering and collection of income taxes related to the Joint Economic Development District.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Fund Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred outflows and inflows of resources are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in current financial resources. Since governmental funds financial statements use a different measurement focus and basis of accounting than the government-wide statements, governmental funds financial statements include reconciliations to the government-wide statements.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

C. Measurement Focus - *continued*

All governmental fund types are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The available period for the City is sixty days after year-end. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position.

The accrual basis of accounting is utilized by the proprietary fund types. Under this method, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred.

Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Revenues – Exchange and Non-Exchange Transactions

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include municipal income taxes, property taxes, payments in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from municipal income taxes is recognized in the period in which the income is earned. Revenue from property taxes and payments in lieu of taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest earnings, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, grants, and municipal income tax.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

C. Measurement Focus - *continued*

Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflow of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. For the City, deferred outflows of resources are reported on the government-wide and proprietary statements of financial position for deferred loss on refunding, pensions and other postemployment benefits other than pensions (OPEB). A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pensions and OPEB are explained in Notes 8 and 9.

Deferred Inflows of Resources

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. For the City, deferred inflows of resources include deferred gain on refunding, property taxes, payments in lieu of taxes, unavailable revenue, pensions and OPEB. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Receivables for property taxes and payments in lieu of taxes represent amounts that are measurable as of December 31, 2022, but are intended to finance the subsequent year's operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (sixty days after year-end). Deferred inflows of resources related to pensions and OPEB are explained in Notes 8 and 9.

Since governmental funds' financial statements use a different measurement focus and basis of accounting than the government-wide financial statements, governmental funds' financial statements include reconciliations to the government-wide financial statements.

D. Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. During 2022, investments were limited to STAR Ohio.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2022. 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, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Investments in STAR Ohio are valued at the net asset value per share provided by STAR Ohio on an amortized cost basis at December 31, 2022, which approximates fair value.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

D. Cash and Investments - *continued*

For 2022, there were no limitations or restrictions on any participants 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.

Following Ohio Statutes, the Council has, by resolution, specified the funds to receive an allocation of interest earnings. During 2022, interest revenue credited to the general fund amounted to $248,425, which includes $172,828 assigned from other funds.

The City has segregated bank accounts for the Mayor's court and senior center deposits which are held separate from the City's central bank account. The depository accounts are presented on the financial statements as "cash in segregated accounts" since they are not required to be deposited in the City treasury.

At year end, the City had $5,088,008 in unspent bond proceeds held in a separate account for the Edgewood Road sewer project. These amounts are reported as "restricted cash and investments" in the financial statements. An analysis of the City's deposits and investments at year end is provided in Note 3.

E. Prepaid Items

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

F. Supplies Inventory

Inventories are presented at cost on first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies.

G. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, infrastructure, furniture and equipment, vehicles and construction in progress, are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets utilized by governmental activities are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

G. Capital Assets - *continued*

The City defines capital assets as those with an individual cost of more than $5,000 and an estimated useful life in excess of one year. All capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their acquisition value on the date received. Infrastructure includes streets, storm sewers, water lines and sewer lines. Interest on constructed capital assets is capitalized for business-type activities. When capital assets are purchased, they are capitalized and depreciated in the government-wide statements and the proprietary fund statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

All capital assets except for land and construction in progress are depreciated. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Infrastructure	50 years
Buildings	50 years
Furniture and equipment	5-20 years
Vehicles	8 years
Land improvements	20 years

H. Restricted Assets

Certain cash and investments are classified as restricted cash on the financial statements because these funds are restricted for sewer improvements or being held by a trustee as designated by the bond indenture restricted for debt service.

I. Accrued Liabilities and Long-Term Obligations

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

J. Interfund Balances

During the course of operations, transactions occur between individual funds for goods provided or services rendered. On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". Long-term interfund loans (advances) are classified as "advances to other funds" and "advances from other funds". These amounts are eliminated in the governmental columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

K. Pensions and OPEB

For purposes of measuring the net pension and OPEB assets/liabilities and their related deferrals and expenses, information about the fiduciary net position of the retirement systems and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The retirement systems report investments at fair value.

L. Compensated Absences

The City follows the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave termination benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those employees for whom it is probable that they will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end.

Vested vacation and sick leave is recorded as an expense in the government-wide statements for the period in which the leave was earned. For governmental funds, a liability is recorded for compensated absences only if they have matured, for example, as a result of employee resignations and retirements.

Payment of vacation and sick leave recorded in the government-wide financial statements is dependent upon many factors; therefore, timing of future payments is not readily determinable. Management believes that sufficient resources will be available when payment is due.

M. Accounting Estimates

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

N. Grants and Other Intergovernmental Revenues

Grants made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

O. Fund Balances

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

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

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

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned **–** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the City Council. The City Council has authorized the Finance Director to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

O. Fund Balances - *continued*

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

P. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when the limitations imposed on its use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments. At December 31, 2022, none of the City's net position was restricted by enabling legislation.

The net position restricted for other purposes result from special revenue funds and the restriction on their net position use. When both restricted and non-restricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources, as they are needed.

Q. 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 appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than fiduciary funds, are legally required to be budgeted and appropriated.

The legal level of budgetary control (the level at which transfers of budget amounts cannot be made without legislative approval) is at the object level. Budgetary modifications may only be made by ordinance of the City Council. The City legally adopted supplemental appropriations during 2022.

Tax Budget

By July 15, the Mayor submits an annual tax budget for the following year to City Council 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Q. Budgetary Process - *continued*

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all of the previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources that states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation ordinance. On or before January 31, the certificate of estimated resources is amended to include any unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates.

Appropriations

The annual appropriation ordinance must be passed no later than April 1 of each year for the period January 1 to December 31. A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The appropriation ordinance fixes spending authority at the object level. The appropriation ordinance may be amended during the year, as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. Administrative control is maintained through the establishment of more detailed line-item budgets. The amounts on the budgetary schedules reflect the original and final appropriation amounts, including all amendments and modifications legally enacted by Council.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as restricted, committed, or assigned fund balance for governmental funds since they do not constitute expenditures or liabilities.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation lapses and is restored to the respective fund from which it was appropriated and becomes subject to future appropriation. The encumbered appropriation balance is carried forward to the succeeding year and is not re-appropriated.

NOTE 2—BUDGETARY BASIS OF ACCOUNTING

While the City reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, requires accounting for certain transactions according to cash receipts, disbursements, appropriations, and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget (Non-GAAP) Basis, are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than classified as a portion of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) rather than as an interfund receivables/payables (GAAP basis).
5. Certain funds accounted for as separate funds internally with legally adopted budgets (budget basis) do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

The adjustments necessary to convert the results of operations of the General and major Special Revenue funds for the year ended December 31, 2022, on the GAAP basis to the budget basis are as follows:

	General Fund	Street	Fire Improvement
Net change in fund balance - ***GAAP Basis***	$ 1,834,109	$ 234,623	$ 325,008
Funds reclassified	(28,669)	-	-
Net adjustment for revenue accruals	(272,511)	(347,798)	(49,840)
Net adjustment for expenditure accruals	(12,333)	511,461	239,167
Encumbrances	(57,800)	(92,183)	(39,572)
Other sources (uses)	(25,000)	(134,052)	(222,269)
Net change in fund balance - ***Budget Basis***	$ 1,437,796	$ 172,051	$ 252,494

NOTE 3—DEPOSITS AND INVESTMENTS

The City maintains a cash deposit and investment pool for all funds. Each fund's share of cash deposits and investments is shown separately on the statement of net position and balance sheets as "Equity in Pooled Cash and Investments".

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

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

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

Interim deposits are deposits of interim moneys. Interim moneys are those moneys, which are not needed for immediate, use but which will be needed before the end of the current period of designation of depositories. Interim monies may be deposited or invested in the following securities:

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

(2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

(4) Bonds and other obligations of the State of Ohio;

(5) No-load money market funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreement secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

(6) The State Treasury Assets Reserve of Ohio (STAR Ohio);

(7) Certain banker’s acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and

NOTE 3—DEPOSITS AND INVESTMENTS – ***continued***

(8) Under limited circumstance, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution, unless the financial institution participates in the Ohio Treasurer of State's Ohio Collateral Pool System, which reduces the amount to 102% of the deposits being secured. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At December 31, 2022, the carrying amount of all City deposits was $4,927,290. $4,584,898 of the City's bank balance of $5,084,898 was exposed to custodial risk as discussed above, while $500,000 was covered by FDIC.

At December 31, 2022, the carrying amount of the City's segregated cash deposits was $32,487. The bank balance of $33,649 was covered by FDIC.

NOTE 3—DEPOSITS AND INVESTMENTS – ***continued***

Investments: The City's investments at December 31, 2022 are summarized as follows:

Investment Type	Fair Value	Average Days to Maturity	S&P Rating
STAR Ohio	$ 22,947,924	31.9 days	AAAm

Credit Risk: The City's investment in STAR Ohio has an AAAm credit rating. The City's investment policy limits its investments to those authorized by State statute.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a failure of a counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial credit risk beyond the requirement in the State statute that prohibits payments for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee. The City's investments were not subject to custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single user. The City places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the City manages its exposure to declines in fair value by limiting the maximum maturity of investments in its portfolio to five years.

Fair Value Measurement: In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the City categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's investments in STAR Ohio is excluded from fair value measurement requirements under GASB Statement No. 72, and instead are reported at amortized cost.

NOTE 4—PROPERTY TAXES

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

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

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

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

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

The assessed values upon which 2022 taxes were collected were:

Agricultural/Residential	$249,108,630
Commercial/Industrial/Other	91,617,170
Public Utility	9,255,310
Total Assessed Value	$349,981,110
Tax Rate per $1,000 of Assessed Valuation	$ 16.90

NOTE 5—INCOME TAX

The City levies a municipal income tax of one percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100% of the City's current tax rate. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

NOTE 6—INTERFUND ACTIVITY

Interfund activity as reported in the fund financial statements includes transfers. The following represent the transfers during 2022:

	Transfers In	Transfers Out
General Fund	$ 85,000	$ 2,313,976
Street	490,000	5,000
Fire Improvement	1,200,000	80,000
Nonmajor governmental funds	663,976	5,000
Water Fund	-	10,000
Sewer Fund	92,309	25,000
Nonmajor enterprise fund	-	92,309
	$ 2,531,285	$ 2,531,285

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and to provide additional resources for current operations, debt service or capital improvements. Transfers into the General Fund were due to funding the severance reserve fund, included with the General Fund in accordance with GAAP, that was funded by transfers from other governmental and enterprise funds. Transfers between governmental funds and between enterprise funds are eliminated for reporting on the statement of activities.

NOTE 7—CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 3,015,891	$ -	$ -	$ 3,015,891
Construction in progress	289,858	1,172,634	(289,858)	1,172,634
Total capital assets not being depreciated	3,305,749	1,172,634	(289,858)	4,188,525
Capital assets being depreciated:				
Land improvements	804,817	-	-	804,817
Buildings and improvements	4,006,895	14,400	-	4,021,295
Furniture and equipment	1,152,555	205,394	(73,650)	1,284,299
Vehicles	2,943,313	381,255	(220,631)	3,103,937
Infrastructure	20,624,339	289,858	-	20,914,197
Total capital assets being depreciated	29,531,919	890,907	(294,281)	30,128,545
Less accumulated depreciation:				
Land improvements	(804,817)	-	-	(804,817)
Buildings and improvements	(2,493,486)	(80,569)	-	(2,574,055)
Furniture and equipment	(648,837)	(46,161)	73,650	(621,348)
Vehicles	(1,602,217)	(150,636)	220,631	(1,532,222)
Infrastructure	(3,769,525)	(450,508)	-	(4,220,033)
Total accumulated depreciation	(9,318,882)	(727,874)	294,281	(9,752,475)
Total capital assets being depreciated, net	20,213,037	163,033	-	20,376,070
Capital assets, net	$ 23,518,786	$ 1,335,667	$ (289,858)	$ 24,564,595

Depreciation expense was charged to governmental functions as follows:

General government	$ 4,491
Security of persons and property	188,977
Transportation	505,956
Leisure time activities	28,450
Total depreciation expense	$ 727,874

NOTE 7—CAPITAL ASSETS – *continued*

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets not being depreciated:				
Land	$ 485,420	$ -	$ -	$ 485,420
Construction in progress	6,000,063	2,500,281	-	8,500,344
Total capital assets not being depreciated	6,485,483	2,500,281	-	8,985,764
Capital assets being depreciated:				
Land improvements	24,474	-	-	24,474
Buildings and improvements	10,180,102	64,587	-	10,244,689
Furniture and equipment	7,912,516	87,367	(13,589)	7,986,294
Vehicles	1,072,425	49,200	(227,197)	894,428
Infrastructure	36,599,027	-	-	36,599,027
Total capital assets being depreciated	55,788,544	201,154	(240,786)	55,748,912
Less accumulated depreciation:				
Land improvements	(24,474)	-	-	(24,474)
Buildings and improvements	(4,911,386)	(192,278)	-	(5,103,664)
Furniture and equipment	(6,552,071)	(54,938)	13,589	(6,593,420)
Vehicles	(567,484)	(42,734)	227,197	(383,021)
Infrastructure	(12,743,804)	(715,425)	-	(13,459,229)
Total accumulated depreciation	(24,799,219)	(1,005,375)	240,786	(25,563,808)
Total capital assets being depreciated, net	30,989,325	(804,221)	-	30,185,104
Capital assets, net	$ 37,474,808	$ 1,696,060	$ -	$ 39,170,868

Depreciation expense was charged to segments as follows:

Major enterprise funds	
Water	$ 400,678
Sewer	556,375
Nonmajor enterprise fund	
Storm water	48,322
Total depreciation expense	$ 1,005,375

NOTE 8—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 Statement No. 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 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.

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, the majority of employee members are in OPERS' Traditional Plan; therefore, the following disclosures focus on the Traditional Pension Plan.

NOTE 8—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 (ORC). OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 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 Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS' annual report referenced above for additional information):

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

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

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

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

Funding Policy. The ORC provides statutory authority for member and employer contributions. For 2022, member contribution rates were 10% of salary and employer contribution rates were 14%. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $336,993 for 2022. Of this amount, $42,617 is reported as an intergovernmental payable.

NOTE 8—DEFINED BENEFIT PENSION PLANS – *continued*

Ohio Police & Fire Pension Fund (OP&F)

Plan Description. City full-time police and firefighters participate in the Ohio Police & Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code (ORC). OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report 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, OH 43215-5164.

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

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before 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% for each of the first 20 years of service credit, 2.0% for each of the next five years of service credit and 1.5% for each year of service credit in excess of 25 years. The maximum pension of 72% of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living adjustment (COLA). The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending 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% of their base pension or disability benefit.

NOTE 8—DEFINED BENEFIT PENSION PLANS – ***continued***

Funding Policy. The 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 OP&F was $974,431 for 2022. Of this amount, $108,556 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The net pension liability for OPERS was measured as of December 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2021, and was determined by rolling forward the total pension liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS	OP&F	Total
Proportionate Share of Net Pension Liability	$ 1,258,756	$ 10,181,449	$ 11,440,205
Proportion of Net Pension Liability	0.01447%	0.16297%	
Change in Proportion	0.00015%	-0.00289%	
Pension Expense	$ (146,032)	$ 843,606	$ 697,574

NOTE 8—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			
Differences between expected and actual experience	$ 64,169	$ 293,573	$ 357,742
Change in assumptions	157,406	1,860,731	2,018,137
Change in City's proportionate share and differences in employer contributions	37,468	163,801	201,269
City contributions subsequent to the measurement date	336,993	974,431	1,311,424
	$ 596,036	$ 3,292,536	$ 3,888,572
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 27,608	$ 529,296	$ 556,904
Net differences between projected and actual investment earnings	1,497,243	2,669,419	4,166,662
Change in City's proportionate share and differences in employer contributions	-	325,442	325,442
	$ 1,524,851	$ 3,524,157	$ 5,049,008

$1,311,424 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	$ (165,736)	$ (7,905)	$ (173,641)
2024	(509,833)	(779,179)	(1,289,012)
2025	(352,062)	(338,774)	(690,836)
2026	(238,177)	(255,564)	(493,741)
2027	-	175,370	175,370
	$ (1,265,808)	$ (1,206,052)	$ (2,471,860)

Ohio Public Employees Retirement System (OPERS)

Actuarial Assumptions. 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 8—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 actuarial valuation was determined using the following actuarial assumptions:

Wage inflation:	
Current measurement period	2.75%
Prior measurement period	3.25%
Future salary increases (including inflation):	
Current measurement period	2.75% to 10.75%
Prior measurement period	3.25% to 10.75%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3% simple; Post 1/7/2013 retirees: 3% simple through 2022, then 2.05% simple
Investment rate of return:	
Current measurement period	6.90%
Prior measurement period	7.20%
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 previous described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

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

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

NOTE 8—DEFINED BENEFIT PENSION PLANS – *continued*

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic 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	Weighted Average Long-Term Expected Real Rate of Return
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 6.90% for the Traditional Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit 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 represents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 6.90%, 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 (5.90%) and one-percentage point higher (7.90%) than the current rate:

	1% Decrease (5.9%)	Current Discount Rate of 6.9%	1% Increase (7.9%)
City's proportionate share of the net pension liability	$ 3,318,920	$ 1,258,756	$ (455,467)

NOTE 8—DEFINED BENEFIT PENSION PLANS – ***continued***

Ohio Police & Fire Pension Fund (OP&F)

Actuarial Assumptions. OP&F's total pension liability as of December 31, 2021 is based on the results of an actuarial valuation date of January 1, 2021, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of 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 determine amounts are subject to continual review and potential modifications, as actual results are compared with past experiences and new estimates are made about the future.

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

Valuation date	January 1, 2021 with actuarial liabilities rolled forward to December 31, 2021
Actuarial cost method	Entry age normal
Investment rate of return:	
Current measurement period	7.5%
Prior measurement period	8.0%
Projected salary increases	3.75% to 10.50%
Payroll growth	2.75% plus productivity increase rate of 0.5%
Inflation assumptions	2.75%
Cost of living adjustments	2.2% simple per year.

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

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.

NOTE 8—DEFINED BENEFIT PENSION PLANS – *continued*

The long-term expected rate of return on pension plan investments was determine using a building-block approach and assumes a time horizon, as defined in OP&F's 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 average of expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2021 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalents	0.0%	0.00%
Domestic equity	21.0%	3.60%
Non-U.S. equity	14.0%	4.40%
Private markets	8.0%	6.80%
Core fixed income*	23.0%	1.10%
High yield fixed income	7.0%	3.00%
Private credit	5.0%	4.50%
U.S. inflation linked bonds*	17.0%	0.80%
Midstream energy infrastructure	5.0%	5.00%
Real assets	8.0%	5.90%
Gold	5.0%	2.40%
Private real estate	12.0%	4.80%
	125.0%	

*Note: Assumptions are geometric. * Levered 2x*

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate. The total pension liability was calculated using the discount rate of 7.5%. 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 earnings were calculated using the longer-term assumed investment rate of return of 7.5%. 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.

NOTE 8—DEFINED BENEFIT PENSION PLANS – ***continued***

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 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.5%) or one-percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate of 7.5%	1% Increase (8.5%)
City's proportionate share of the net pension liability	$ 15,098,946	$ 10,181,449	$ 6,086,387

NOTE 9—DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/(Asset)

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.

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

GASB Statement No. 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 ORC permits, but does not require, the retirement systems to provide health care 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 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 funded or unfunded benefits are presented as either a long-term *net OPEB asset* or *net OPEB liability* on the accrual basis of accounting. Any liability for contractually-required OPEB contributions outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

NOTE 9—DEFINED BENEFIT OPEB PLANS – ***continued***

Ohio Public Employees Retirement System (OPERS)

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

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' annual report referenced below for additional information.

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

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

Funding Policy—The ORC provides the statutory authority 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.

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% of earnable salary and public safety and law enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

NOTE 9—DEFINED BENEFIT OPEB PLANS – ***continued***

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 0% during calendar year 2022. For the Combined Plan, the portion of the employer contributions allocated to health care was 0% from January 1, 2022 to June 30, 2022, and was 2% from July 1, 2022 to December 31, 2022.

As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2023 remains at 0% for the Traditional Pension Plan and 2% for the Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2022 was 4.0%.

The City's contractually required contribution to OPERS for OPEB was $12,603 for 2022.

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 postemployment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B premiums to retirees, qualifying benefit recipients and their eligible dependents.

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

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB. 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 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% and 24.0% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

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

NOTE 9—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 the employer contributions allocated to health care was 0.5% 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 Section 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 $22,896 for 2022.

OPEB Assets and Liabilities, OPEB Expense, and Deferred Outflows and Deferred Inflows of Resources Related to OPEB. The net OPEB asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2021 and was determined by rolling forward the total OPEB liability as of January 1, 2021 to December 31, 2021. The City's proportion of the net OPEB liability/(asset) was based on the City's share of contributions to the respective retirement systems relative to the contributions of all participating entities. The following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportionate Share of Net OPEB Liability/(Asset)	$ (504,507)	$ 1,786,295	$ 1,281,788
Proportion of Net OPEB Liability/(Asset)	0.01611%	0.16297%	
Change in Proportion	0.00031%	-0.00289%	
OPEB (Negative) Expense	$ (412,628)	$ 186,595	$ (226,033)

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			
Differences between expected and actual experience	$ -	$ 81,262	$ 81,262
Change in assumptions	-	790,669	790,669
Change in City's proportionate share and differences in employer contributions	8,819	164,183	173,002
City contributions subsequent to the measurement date	12,603	22,896	35,499
	$ 21,422	$ 1,059,010	$ 1,080,432

NOTE 9—DEFINED BENEFIT OPEB PLANS – ***continued***

	OPERS	OP&F	Total
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 76,526	$ 236,085	$ 312,611
Net differences between projected and actual investment earnings	240,513	161,362	401,875
Change in assumptions	204,218	207,468	411,686
Change in City's proportionate share and differences in employer contributions	-	55,950	55,950
	$ 521,257	$ 660,865	$ 1,182,122

$35,499 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase of the net OPEB asset in the year ending December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2023	$ (315,367)	$ 114,391	$ (200,976)
2024	(109,979)	90,436	(19,543)
2025	(52,551)	90,490	37,939
2026	(34,541)	10,805	(23,736)
2027	-	35,345	35,345
Thereafter	-	33,780	33,780
	$ (512,438)	$ 375,247	$ (137,191)

Actuarial Assumptions—OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OBEB liability was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021.

NOTE 9—DEFINED BENEFIT OPEB PLANS – ***continued***

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

Wage inflation:	
Current measurement period	2.75%
Prior measurement period	3.25%
Projected salary increases:	
Current measurement period	2.75% to 10.75%, including wage inflation
Prior measurement period	3.25% to 10.75%, including wage inflation
Singe discount rate:	6.00%
Investment rate of return	6.00%
Municipal bond rate:	
Current measurement period	1.84%
Prior measurement period	2.00%
Health care cost trend rate:	
Current measurement period	5.5% initial, 3.50% ultimate in 2034
Prior measurement period	8.5% initial, 3.50% ultimate in 2035
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 previous described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

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

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.3% for 2021.

NOTE 9—DEFINED BENEFIT OPEB PLANS – ***continued***

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic 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	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	0.91%
Domestic Equities	25.00%	3.78%
REITs	7.00%	3.71%
International Equities	25.00%	4.88%
Risk Parity	2.00%	2.92%
Other Investments	7.00%	1.93%
Total	100.00%	3.45%

Discount Rate. A single discount rate of 6.0% was used to measure the OPEB liability on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.0% and a municipal bond rate of 1.84%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

NOTE 9—DEFINED BENEFIT OPEB PLANS – ***continued***

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate. The following table presents the City's proportionate share of the net OPEB asset calculated using the single discount rate of 6.0%, as well as what the City's proportionate share of the net OPEB asset if it were calculated using a discount rate that is 1.0% point lower (5.0%) or 1.0% point higher (7.0%) than the current rate:

	1% Decrease (5.0%)	Current Discount Rate of 6.0%	1% Increase (7.0%)
City's proportionate share of the net OPEB (asset)	$ (296,712)	$ (504,507)	$ (677,025)

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate. Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% 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%. 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% in the most recent valuation.

	1% Decrease	Current Health Cost Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB (asset)	$ (509,984)	$ (504,507)	$ (498,064)

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

NOTE 9—DEFINED BENEFIT OPEB PLANS – ***continued***

Projections of benefit for financial 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 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 calculating the total OPEB liability in the latest actuarial valuation are presented below:

Actuarial valuation date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial cost method	Entry age normal
Investment rate of return:	
Current measurement period	7.5%
Prior measurement period	8.0%
Projected salary increases	3.75% to 10.50%
Payroll growth	3.25%
Single discount rate:	
Current measurement period	2.84%
Prior measurement period	2.96%
Municipal bond rate:	
Current measurement period	2.05%
Prior measurement period	2.12%
Cost of living adjustments	2.2% simple per year

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%.

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%

NOTE 9—DEFINED BENEFIT OPEB PLANS – ***continued***

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 OP&F's Statement of Investment Policy. A forecasted rate of inflation serves as a 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 average 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 real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2021 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalent	0.0%	0.00%
Domestic equity	21.0%	3.60%
Non-U.S. equity	14.0%	4.40%
Private markets	8.0%	6.80%
Core fixed income*	23.0%	1.10%
High yield fixed income	7.0%	3.00%
Private credit	5.0%	4.50%
U.S. inflation linked bonds*	17.0%	0.80%
Midstream energy infrastructure	5.0%	5.00%
Real assets	8.0%	5.90%
Gold	5.0%	2.40%
Private real estate	12.0%	4.80%
Total	125.00%	

*Note: Assumptions are geometric. * Levered 2x*

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate. Total OPEB liability was calculated using the discount rate of 2.84%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 7.5%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, a municipal bond rate of 2.05% at December 31, 2021 was blended with the long-term rate of 7.5%, which resulted in a blended discount rate of 2.84% at December 31, 2021.

NOTE 9—DEFINED BENEFIT OPEB PLANS – *continued*

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 2.84%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (1.84%) and 1% point higher (3.84%) than the current discount rate.

	1% Decrease (1.84%)	Current Discount Rate of 2.84%	1% Increase (3.84%)
City's proportionate share of the net OPEB liability	$ 2,245,412	$ 1,786,295	$ 1,408,899

NOTE 10—OTHER EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation and Compensatory Time

City employees earn vacation leave at varying rates based upon length of service. In the case of death or separation from employment, an employee (or their estate) is paid for any unused vacation or compensatory leave. The obligation for accrued unpaid vacation time for the City as a whole amounted to $303,720 at December 31, 2022.

Accumulated Unpaid Sick Leave

City employees earn sick leave at the varying rates. Sick leave is cumulative without limit. In the event of death or separation, an employee is paid for a percentage of their accumulated sick leave up to a maximum. The obligation for accrued unpaid sick leave for the City as a whole amounted to $1,131,914 at December 31, 2022.

NOTE 11—RISK MANAGEMENT

Risk Pool Membership
The City belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated nonprofit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan provides property, liability, errors and omissions, law enforcement, automobile, excessive liability, crime, surety and bond, inland marine and other coverage to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 769 and 771 members as of December 31, 2021 and 2020, respectively, which is the latest available. Settlement amounts did not exceed insurance coverage for the past three fiscal years.

NOTE 11—RISK MANAGEMENT – *continued*

The Pool's audited financial statements conform to accounting principles generally accepted in the United States of America and reported the following assets, liabilities and members' equity at December 31, 2022 and 2021:

	2021	2020
Assets	$ 21,777,439	$18,826,974
Liabilities	(15,037,383)	(13,530,267)
Members' Equity	$ 6,740,056	$ 5,296,707

You can read the complete audited financial statements for the OPRM at the Plan's website, www.ohioplan.org.

Health Insurance
During 2022, the City provided employees insurance for medical, dental, and life through Anthem Insurance. The premiums for health, dental and accident and life insurance are paid monthly with the City paying one-hundred percent of the cost up to $847 per employee for Steel Workers Union employees and $797 per employee for all other employees. Anything above these caps amount is split by the City and the employees per union contracts. The risk of loss transfers to the insurance carrier upon payment of the premium by the City.

Workers' Compensation
Workers' compensation claims are covered through the State of Ohio Workers Compensation Retrospective Plan. The City's MCO is Sheakley Unicorp.

There has been no significant reduction in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 12—LONG-TERM LIABILITIES

The following is a summary of changes during 2022 and balances for governmental activities' long-term liabilities of the City as of December 31, 2022.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
2015 Various purpose	$ 1,445,000	$ -	$ (115,000)	$ 1,330,000	$ 125,000
Unamortized premiums	48,144	-	(3,752)	44,392	-
Direct Placement:					
2019 Private placement refunding	1,250,000	-	(90,000)	1,160,000	90,000
Direct Borrowing:					
OPWC loans	2,766,007	415,574	(207,912)	2,973,669	215,156
Promissory notes	71,586	222,269	(36,285)	257,570	75,643
Lease-purchase obligations	920,370	134,052	(258,078)	796,344	200,790
Compensated absences	1,005,344	335,097	(239,613)	1,100,828	257,143
	$ 7,506,451	$ 1,106,992	$ (950,640)	$ 7,662,803	$ 963,732

Series 2015 General Obligation Various Purpose Improvement and Refunding Bonds
On October 15, 2015, the City issued $3,185,000 in Series 2015 general obligation limited tax various purpose improvement and refunding bonds to refinance $1,525,000 in public infrastructure bond anticipation notes, current refund $1,305,000 in Series 2005 general obligation refunding bonds, and finance State Street improvements. The bonds bear interest rates ranging from 1.0% to 4.0% and are scheduled to mature December 1, 2034.

Series 2019 Private Placement Refunding Bonds
On December 18, 2019, the City issued $1,425,000 in direct placement Series 2019 private placement refunding bonds to advance refund $1,385,000 of the Series 2009 general obligation various purpose improvement bonds. The refunded bonds pay an interest rate of 2.52% and mature on December 1, 2034.

OPWC Loans
Improvements to the City's street infrastructure were financed through expenditures by the Ohio Public Works Commission (OPWC). At December 31, 2022, the City has fifteen interest-free loans outstanding through the OPWC payable from governmental activities. The loans are payable in semi-annual installments of principal.

Promissory Notes
The City has entered into promissory notes in prior years to finance the purchase of police vehicles. These notes bear interest rates that range from 3% to 3.125% and mature in 2023. In 2022, the City entered into a promissory note to finance the purchase of an ambulance in the amount of $222,269. This note bears an interest rate of 4.75% and matures in 2027.

NOTE 12—LONG-TERM LIABILITIES – ***continued***

Lease-Purchase Obligations
The City has entered into several lease-purchase obligations in prior years to finance the purchase fire trucks, ambulances and heavy-duty vehicles. These obligations bear interest rates that range from 2.2% to 2.82% and mature at various periods ranging from 2024 to 2027. In 2022, the City entered into a lease-purchase obligation to finance the purchase of a Freightliner in the amount of $134,052. This obligation bears an interest rate of 2.99% and matures in 2027.

Compensated Absences
Compensated absences for governmental activities, and net pension and OPEB liabilities, will be liquidated by the fund which pays the employee's salary, with the General Fund and Fire Improvement Fund being the most significant funds.

The general obligation bonds will be liquidated from the General, Capital Improvement, Home Depot TIF and Harrison Avenue TIF Funds. The OPWC loans will be liquidated from the General and Capital Improvement Funds. The promissory notes will be liquidated from the General and Fire Improvement Funds. The lease-purchase obligations will be liquidated from the General, Street and Fire Improvement Funds.

The following is a summary of the City's future annual debt service principal and interest requirements for government-type activities long term-obligations:

	Governmental Activities			
	Various Purpose and Refunding Series - 2015		*Direct Placement* Refunding Series - 2019	
Year Ending December 31,	Principal	Interest	Principal	Interest
2023	$ 125,000	$ 46,675	$ 90,000	$ 29,232
2024	125,000	42,925	95,000	26,964
2025	90,000	39,175	100,000	24,570
2026	95,000	36,475	100,000	22,050
2027	100,000	33,150	105,000	19,530
2028-2032	550,000	111,500	500,000	57,582
2033-2034	245,000	14,800	170,000	6,804
Total	$ 1,330,000	$ 324,700	$ 1,160,000	$ 186,732

NOTE 12—LONG-TERM LIABILITIES – *continued*

	Governmental Activities Direct Borrowing				
	Lease-Purchase Obligations		Promissory Notes		OPWC*
Year Ending December 31,	Principal	Interest	Principal	Interest	Principal
2023	$ 200,790	$ 20,725	$ 75,643	$ 10,573	$ 215,156
2024	205,911	15,503	42,300	7,729	215,156
2025	157,891	10,251	44,354	5,675	215,156
2026	114,361	6,138	46,507	3,522	203,345
2027	117,391	3,110	48,766	1,264	191,536
2028-2032	-	-	-	-	869,351
2033-2037	-	-	-	-	525,444
2038-2042	-	-	-	-	198,507
Total	$ 796,344	$ 55,727	$ 257,570	$ 28,763	$ 2,633,651

* - *excludes 2022 OPWC Park Avenue Reconstruction loan, as the project is ongoing and the loan amortization has not been finalized.*

The following is a summary of changes during 2022 and balances for business-type activities' long-term liabilities of the City as of December 31, 2022.

	Beginning Balance	Additions	Reductions	Ending Balance	Within One Year
Business-Type Activities:					
General Obligation Bonds:					
2010 Sanitary sewer improvements	$ 190,000	$ -	$ (190,000)	$ -	$ -
Unamortized premiums	3,706	-	(3,706)	-	-
Direct Placement:					
2019 Private placement refunding	3,575,000	-	(70,000)	3,505,000	255,000
2022 Private placement refunding	-	7,225,000	-	7,225,000	350,000
Revenue Bonds:					
2012 Sewer revenue refunding	8,020,000	-	(8,020,000)	-	-
Unamortized premiums	104,491	-	(104,491)	-	-
Direct Borrowing:					
OPWC direct borrowing loans	711,575	-	(113,339)	598,236	113,338
ODWA direct borrowing loans	5,807,057	10,037,482	(317,231)	15,527,308	1,379,534
Lease-purchase obligations	315,225	-	(104,014)	211,211	104,455
Compensated absences	318,789	51,662	(35,645)	334,806	46,577
	$ 19,045,843	$ 17,314,144	$ (8,958,426)	$ 27,401,561	$ 2,248,904

NOTE 12—LONG-TERM LIABILITIES – *continued*

Series 2010 General Obligation Bonds
On December 9, 2010, the City issued $5,490,000 in general obligation sewer system improvement bonds for the purpose of retiring outstanding notes that were used to finance various improvements to the wastewater system. The bonds were partially advance refunded during the year with the issuance of Series 2019 private placement refunding bonds. The remaining bonds matured on December 1, 2022.

Series 2012 Revenue bonds
On May 4, 2012, the City issued $16,550,000 in wastewater system revenue refunding bonds. The proceeds of the issuance were used to advance refund the outstanding balance of the 2003 wastewater system revenue improvements and refunding bonds. On February 22, 2022, these bonds were refunded with an Ohio Water Development Authority (OWDA) loan.

Series 2019 Private Placement Refunding Bonds
On December 18, 2019, the City issued $3,695,000 in direct placement Series 2019 private placement refunding bonds to advance refund $3,515,000 of the Series 2010 general obligation sanitary sewer improvement bonds. The refunded bonds pay an interest rate of 2.571% and mature on December 1, 2034.

Series 2022 Private Placement Various Purpose Improvement and Refunding Bonds
On October 24, 2022, the City issued $7,225,000 in direct placement Series 2022 private placement various purpose improvement and refunding bonds to retire the $2,150,000 in 2021 sewer bond anticipation notes and provide funding for the Edgewood Road sewer project. These bonds pay an interest rate of 3.41% and mature on December 1, 2037.

The general obligation bonds are expected to be retired with revenues of the sewer fund. General obligation bonds are secured by the City's ability to levy a voted or unvoted property tax within the limitations of Ohio law.

OPWC Loans
Improvements to the City's water treatment facilities and State Street/Campbell Road and Etta, Lellan and Joyce Ave. improvements were financed through expenditures by the Ohio Public Works Commission (OPWC). At December 31, 2022, the City has two interest-free loans outstanding through the OPWC payable from business-type activities. The loans are payable in semi-annual installments of principal. The amounts due to the OPWC are payable solely from sewer and storm water revenues.

OWDA Loans
The City has entered into debt financing arrangements through the OWDA to fund construction projects. The amounts due to the OWDA are payable solely from water revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2022, the City has outstanding borrowings of $15,527,308. The loans are payable in semi-annual payments with interest rates ranging from 0.53% to 3.64%. The future annual debt service principal and interest requirements disclosed were based on loans that were finalized as of December 31, 2022.

On February 22, 2022, the City entered into a loan agreement with OWDA in the amount of $6,994,685 to refund the outstanding Series 2012 Revenue bonds. This loan matures on July 1, 2028, and bears an interest rate of 1.65%. As a result, the City reduced its total debt service payments by $475,971 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of $373,035.

NOTE 12—LONG-TERM LIABILITIES – *continued*

OWDA Loans (continued)
In 2019, the City entered into a direct borrowing loan agreement with OWDA to borrow up to $8,057,900 for water softening improvements and a chemical room. This loan, when finalized, will bear an interest rate of 0.53% and is estimated to mature in 2042. The City drew down $3,042,797 during 2022, bring the total drawn as of December 31, 2022 to $6,603,021. This loan will not be included in the amortization table below until it is finalized.

Lease-Purchase Obligations
The City has entered into two lease-purchase obligations in prior years to finance the purchase of utility vehicles. One of these obligations matured in 2022. The remaining obligation bears an interest rate of 2.2% and matures in 2024.

Compensated Absences
Compensated absences and net pension liabilities for business-type activities will be paid from the Sewer and Water Funds.

The general obligation bonds will be liquidated from the Sewer Fund. The OPWC loans will be liquidated from the Sewer and Storm Water Funds. The OWDA loans will be liquidated from the Water and Sewer Funds.

Principal and interest requirements to retire the City's outstanding obligations at December 31, 2022 were:

	Business-Type Activities Private Placement			
	2019 Refunding G.O. Bonds		2022 Various Purpose and Refunding G.O. Bonds	
Year Ending December 31,	Principal	Interest	Principal	Interest
2023	$ 255,000	$ 88,326	$ 350,000	$ 271,694
2024	260,000	81,900	390,000	234,438
2025	265,000	75,348	405,000	221,139
2026	270,000	68,670	415,000	207,328
2027	280,000	61,866	430,000	193,177
2028-2032	1,515,000	199,836	2,405,000	734,003
2033-2037	660,000	25,074	2,830,000	295,988
Total	$ 3,505,000	$ 601,020	$ 7,225,000	$ 2,157,765

	Business-Type Activities Direct Borrowing				
	Lease-Purchase Obligations		OWDA		OPWC
Year Ending December 31,	Principal	Interest	Principal	Interest	Principal
2023	$ 104,455	$ 4,652	$ 1,379,534	$ 208,510	$ 113,338
2024	106,756	2,351	1,441,289	146,757	113,338
2025	-	-	1,470,295	117,750	113,338
2026	-	-	1,499,963	88,081	113,338
2027	-	-	1,469,784	57,739	113,339
2028-2029	-	-	1,663,422	35,478	31,545
Total	$ 211,211	$ 7,003	$ 8,924,287	$ 654,315	$ 598,236

NOTE 13—SHORT-TERM OBLIGATIONS

	Date	Date	Balance	Additions	Reductions	Balance
Business-Type Activities:						
Sewer bond anticipation notes - 2.00%	10/26/2021	10/25/2022	$ 2,150,000	$ -	$ (2,150,000)	$ -

On October 28, 2021, the City issued $2,150,000 in Sewer bond anticipation notes previously issued for various sewer improvements. These notes were retired during 2022 as part of the issuance of the 2022 Various Purpose Improvement and Refunding Bonds.

NOTE 14—CONTINGENT LIABILITIES

Litigation

The City is of the opinion that ultimate disposition of claims and legal proceedings will not have a material effect on the financial condition of the City.

Federal and State Grants

The City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The City believes all expenditures meet grant qualifications.

Asset Retirement Obligations

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewage treatment system to the Ohio Environmental Protection Agency (EPA) for approval. Through this permitting process, the City would be responsible to address any public safety issues associated with their sewage treatment system and the permit would specify the procedures required to dispose of all or part of the sewage treatment system. 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 system. Due to the lack of specific legal requirements for retiring the sewage treatment system, the City has determined that the amount of the asset retirement obligation cannot be reasonably estimated.

NOTE 15—FUND BALANCES

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 nonmajor governmental funds are presented below:

Fund Balances	General Fund	Street	Fire Improvement	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaids	$ 54,840	$ 8,385	$ 41,009	$ 8,467	$ 112,701
Inventory	-	8,361	-	-	8,361
Total Nonspendable	54,840	16,746	41,009	8,467	121,062
Restricted for:					
Public safety	-	-	640,555	163,942	804,497
Debt service	-	-	-	32,281	32,281
Recreational activities	-	-	-	962,135	962,135
Street and highway projects	-	375,083	-	57,839	432,922
Infrastructure projects	-	-	-	1,034,156	1,034,156
Other purposes	-	-	-	37,739	37,739
Total Restricted	-	375,083	640,555	2,288,092	3,303,730
Committed to					
Severances	732,471	-	-	-	732,471
Capital projects	-	-	-	335,516	335,516
Total Committed	732,471	-	-	335,516	1,067,987
Assigned to:					
Public safety	35,268	-	-	126,819	162,087
Recreational activities	55,007	-	-	-	55,007
Building, planning and zoning	6,035	-	-	-	6,035
General government	26,432	-	-	500,000	526,432
Total Assigned	122,742	-	-	626,819	749,561
Unassigned (Deficit)	6,653,225	-	-	-	6,653,225
Total Fund Balance	$ 7,563,278	$ 391,829	$ 681,564	$ 3,258,894	$ 11,895,565

NOTE 16—COMMITMENTS

The City utilizes encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances outstanding in the governmental funds was as follows:

General Fund	$ 57,800
Street Fund	92,183
Fire Improvement Fund	39,572
Nomajor Governmental Funds	496,804
	$ 686,359

NOTE 17—TAX ABATEMENTS

The City receives reduced property tax revenues as a result of Enterprise Zone (EZ) and Community Reinvestment Area (CRA) programs. These programs are for the purpose of establishing, expanding, renovating or occupying facilities and hiring new employees and preserving jobs within said zones or areas in exchange for specified local tax incentives. Under the EZ program, businesses may apply for tax reductions on real property investments. The amount of the tax exemption is negotiated on an individual project basis and varies according to the size of the investment and the number of jobs created or retained. Under the CRA program, real property investment incentives are available for projects involving the renovation of existing or the construction of new buildings for residential, commercial or industrial projects.

During 2022, the City's property tax revenues were reduced by $104,913 under these programs.

Required Supplementary Information

CITY OF HARRISON
Required Supplementary Information
Schedule of City's Proportionate Share of the Net Pension Liability
and City Pension Contributions
Ohio Public Employees Retirement System - Traditional Pension Plan

Measurement Year (1) (2)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.01149%	$ 1,354,639	$ 1,502,200	90.18%	86.36%
2015	0.01149%	1,385,943	1,408,850	98.37%	86.45%
2016	0.01152%	1,994,671	1,552,425	128.49%	81.08%
2017	0.01253%	2,845,214	1,692,225	168.13%	77.25%
2018	0.01313%	2,059,541	1,343,162	153.34%	84.66%
2019	0.01365%	3,739,650	1,798,529	207.93%	74.70%
2020	0.01388%	2,743,650	2,057,864	133.33%	82.17%
2021	0.01432%	2,119,871	1,990,150	106.52%	86.88%
2022	0.01447%	1,258,756	2,090,507	60.21%	92.62%

Calendar Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	$ 195,286	$ (195,286)	$ -	$ 1,502,200	13.00%
2014	169,062	(169,062)	-	1,408,850	12.00%
2015	186,291	(186,291)	-	1,552,425	12.00%
2016	203,067	(203,067)	-	1,692,225	12.00%
2017	174,611	(174,611)	-	1,343,162	13.00%
2018	251,794	(251,794)	-	1,798,529	14.00%
2019	288,101	(288,101)	-	2,057,864	14.00%
2020	278,621	(278,621)	-	1,990,150	14.00%
2021	292,671	(292,671)	-	2,090,507	14.00%
2022	336,993	(336,993)	-	2,407,093	14.00%

(1) Information prior to 2014 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

Change in assumptions. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

In 2019, a reduction of the discount rate was made from 7.5% to 7.2%.

In 2022, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2020. Significant changes included a reduction of the discount rate from 7.2% to 6.9%, a reduction in wage inflation from 3.25% to 2.75%, and transition from RP-2014 mortality tables to Pub-2010 mortality tables.

CITY OF HARRISON
Required Supplementary Information
Schedule of City's Proportionate Share of the Net Pension Liability
and City Pension Contributions
Ohio Police and Fire Pension Fund

Measurement Year (1) (2)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.155605%	$ 7,578,456	$ 4,078,361	185.82%	73.00%
2015	0.155605%	8,060,993	3,198,414	252.03%	71.71%
2016	0.148139%	9,529,887	3,183,678	299.34%	66.77%
2017	0.160142%	10,143,234	3,624,913	279.82%	68.36%
2018	0.169570%	10,407,251	3,820,692	272.39%	70.91%
2019	0.168791%	13,777,807	3,977,501	346.39%	63.07%
2020	0.164608%	11,088,862	4,446,232	249.40%	69.89%
2021	0.165857%	11,306,648	4,282,623	264.01%	70.65%
2022	0.162970%	10,181,449	4,235,465	240.39%	75.03%

Calendar Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	$ 696,584	$ (696,584)	$ -	$ 4,078,361	17.08%
2014	651,197	(651,197)	-	3,198,414	20.36%
2015	639,601	(639,601)	-	3,183,678	20.09%
2016	728,245	(728,245)	-	3,624,913	20.09%
2017	767,577	(767,577)	-	3,820,692	20.09%
2018	799,080	(799,080)	-	3,977,501	20.09%
2019	893,248	(893,248)	-	4,446,232	20.09%
2020	860,379	(860,379)	-	4,282,623	20.09%
2021	850,905	(850,905)	-	4,235,465	20.09%
2022	974,431	(974,431)	-	4,850,329	20.09%

(1) Information prior to 2014 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

Change in assumptions. In 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2016. Significant changes included a reduction of the discount rate from 8.25% to 8.0%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

In 2022, the single discount rate changed from 8.0% to 7.5%.

CITY OF HARRISON
Required Supplementary Information
Schedule of City's Proportionate Share of the Net OPEB Liability/(Asset)
and City OPEB Contributions
Ohio Public Employees Retirement System

Measurement Year (1) (2)	City's Proportion of the Net OPEB Liability/(Asset)	City's Proportionate Share of the Net OPEB Liability/(Asset)	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.014743%	$ 1,489,124	$ 1,692,225	88.00%	54.05%
2018	0.015207%	1,651,339	1,343,162	122.94%	54.14%
2019	0.015686%	2,045,097	1,798,529	113.71%	46.33%
2020	0.015681%	2,165,909	2,057,864	105.25%	47.80%
2021	0.015795%	(281,401)	1,990,150	(14.14%)	115.57%
2022	0.016107%	(504,507)	2,090,507	(24.13%)	128.23%

Calendar Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	$ 15,022	$ (15,022)	$ -	$ 1,502,200	4.0%
2014	28,177	(28,177)	-	1,408,850	1.0%
2015	31,049	(31,049)	-	1,552,425	2.0%
2016	33,845	(33,845)	-	1,692,225	2.0%
2017	16,560	(16,560)	-	1,343,162	2.0%
2018	9,881	(9,881)	-	1,798,529	0.5%
2019	11,025	(11,025)	-	2,057,864	0.5%
2020	9,363	(9,363)	-	1,990,150	0.5%
2021	8,007	(8,007)	-	2,090,507	0.4%
2022	12,603	(12,603)	-	2,407,093	0.524%

(1) Information prior to 2017 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

Change in assumptions. In 2018, the single discount rate changed from 4.23% to 3.85%.

In 2019, the single discount rate changed from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00%, and the health care cost trend rate changed from 7.5% initial to 10.0% initial.

In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate changed from 10.0% initial, 3.25% ultimate in 2028 to 10.5% initial, 3.50% ultimate in 2030.

In 2021, the single discount rate changed from 3.16% to 6.00% and the health care cost trend rate changed from 10.5% initial, 3.50% ultimate in 2030 to 8.5% initial, 3.50% ultimate in 2035.

In 2022, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2020. Significant changes included a reduction in wage inflation from 3.25% to 2.75%, and transition from RP-2014 mortality tables to Pub-2010 mortality tables.

CITY OF HARRISON
Required Supplementary Information
Schedule of City's Proportionate Share of the Net OPEB Liability
and City OPEB Contributions
Ohio Police and Fire Pension Fund

Measurement Year (1) (2)	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.160142%	$ 7,601,581	$ 3,624,913	209.70%	15.96%
2018	0.169570%	9,607,576	3,820,692	251.46%	14.13%
2019	0.168791%	1,537,101	3,977,501	38.64%	46.57%
2020	0.164608%	1,625,951	4,446,232	36.57%	47.08%
2021	0.165857%	1,757,287	4,235,465	41.49%	45.42%
2022	0.162970%	1,786,295	4,235,465	42.17%	46.90%

Calendar Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	$ 145,541	$ (145,541)	$ -	$ 4,078,361	3.6%
2014	15,208	(15,208)	-	3,198,414	0.5%
2015	15,349	(15,349)	-	3,183,678	0.5%
2016	17,244	(17,244)	-	3,624,913	0.5%
2017	17,949	(17,949)	-	3,820,692	0.5%
2018	18,598	(18,598)	-	3,977,501	0.5%
2019	20,811	(20,811)	-	4,446,232	0.5%
2020	20,045	(20,045)	-	4,235,465	0.5%
2021	19,823	(19,823)	-	4,235,465	0.5%
2022	22,896	(22,896)	-	4,850,329	0.5%

(1) Information prior to 2017 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

Change in assumptions. In 2018, the single discount rate changed from 3.79% to 3.24%.

In 2019, the single discount rate changed from 3.24% to 4.66%.

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

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

In 2022, the single discount rate changed from 2.96% to 2.84%.

Change in benefit terms. Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model, depositing stipends into individual health reimbursements accounts that retirees will use to be reimbursed for health care expenses.

bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

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

City of Harrison
Hamilton County
300 George Street
Harrison, Ohio 45030

To the Members of City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(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 Harrison, Hamilton 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 June 26, 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.

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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.

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio

June 26, 2023

City of Harrison
Hamilton County

Summary Schedule of Prior Audit Findings
December 31, 2022

Finding Number	Finding Summary	Status	Additional Information
2021-001	Significant Deficiency – Bank Reconciliations	Corrected	N/A

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF HARRISON

HAMILTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 7/27/2023

88 East Broad Street, Columbus, Ohio 43215
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