CITY OF HUDSON, OHIO
SUMMIT COUNTY

SINGLE AUDIT REPORTS

FOR THE YEAR ENDED DECEMBER 31, 2022

OHIO AUDITOR OF STATE
KEITH FABER

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Members of City Council
City of Hudson
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We have reviewed the *Independent Auditor's Report* of the City of Hudson, Summit County, prepared by Ciuni & Panichi, 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 Hudson is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

August 30, 2023

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City of Hudson, Ohio

For the Year Ended December 31, 2022

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Ciuni & Panichi
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Independent Auditor's Report

To the Members of the City Council
City of Hudson, Ohio

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

Emphasis of Matter

Implementation of New Accounting Standard

As described in Notes 3 and 7 to the financial statements, during 2022, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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.

To the Members of the City Council
City of Hudson, Ohio

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Ciuni + Panichi, Inc.

Cleveland, Ohio
June 27, 2023

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City of Hudson, Ohio

Management's Discussion and Analysis (Unaudited)

For the Year Ended December 31, 2022

The discussion and analysis of the City of Hudson, Ohio's (the "City") 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; along with the review of the basic financial statements for the reader to enhance their understanding of the City's financial performance.

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 Statement of Net Position and Statement of Activities (referred collectively as the government-wide statements) provide information about the activities of the entire City and present a longer-term view of the City's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. The proprietary funds' statements are prepared on the same basis as the government-wide statements. The remaining statements provide financial information about activities for which the City acts solely as a trustee or custodian for the benefit of those outside of the government.

Reporting the City of Hudson as a Whole

Statement of Net Position and the Statement of Activities

These government-wide statements answer the question, "How did the City as a whole do financially during 2022?" They are prepared on the accrual basis of accounting, including all assets and deferred outflows of resources and liabilities and deferred inflows of resources, much the same way as for a private enterprise. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the changes in net position. This is important, as it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, nonfinancial information such as changes in the tax base will also need to be evaluated.

- *The Statement of Net Position.* This Statement (page 16) reports all assets and deferred outflows of resources and liabilities and deferred inflows of resources of the City as of December 31, 2022. The difference between all elements is reported as net position. Increases in net position generally indicate an improvement in financial position while decreases may indicate a deterioration of financial position.

- *The Statement of Activities.* This Statement (page 18) reports the results of all activities of the City for the year ended December 31, 2022. Changes in net position are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expense of the City's various programs net of related revenues, as well as the separate presentation of revenues available for general purposes.

- In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

  - ***Governmental activities:*** The reporting of services including public safety, administration and all departments, with the exception of the Water Fund, Wastewater Fund, Electric Fund, Storm Sewer Fund, Broadband Fund and Golf Course Fund, which are reported as business-type activities.

  - ***Business-type activities:*** The City reports the activity of services (Water, Wastewater, Electric, Storm Sewer, Broadband and Golf Course) where the City charges the user fees to recover the cost of providing the service as well as all capital expenses associated with the facilities.

Reporting the City of Hudson's Most Significant Funds

Fund Financial Statements

These statements provide financial position and results of the City's major funds. A fund is an accounting entity created to account for a specific activity or purpose. The creation of some funds is mandated by law and others are created by management to demonstrate financial compliance with budgetary or legal requirements. Funds are classified into three broad categories: governmental funds, proprietary funds, and fiduciary funds.

- ***Governmental Funds.*** Governmental funds are used to account for "Government-Type" activities. Unlike the government-wide financial statements, governmental fund statements use a "flow of financial resources" measurement focus. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Increases in spendable resources are reported in the operating statement as "Revenues" or "Other Financing Sources". Decreases in spendable resources are reported as "Expenditures" or "Other Financing Uses". Income taxes, property taxes, charges for services and grants finance most of these activities.

- ***Proprietary Funds.*** There are two types of proprietary funds: enterprise funds and internal service funds.

  <u>Enterprise Funds</u> – Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises for which either 1) the intent is that the costs (expenses, including depreciation) be recovered primarily through user charges, or 2) determination of net income is appropriate for management control, accountability or other purposes.

  The City of Hudson's Water Fund, Electric Fund, Storm Sewer Fund and Broadband Fund are all considered to be major funds and are displayed separately in the proprietary fund statements on pages 31 through 40.

Internal Service Funds – Often, governments wish to allocate the cost of providing certain centralized services (e.g., motor pools, garages, data processing) to the other departments of the government entity that use the services. An internal service fund is the appropriate accounting mechanism when it is the intent of the government to recover the full cost of providing the service through user charges to other departments.

The Equipment and Reserve and Fleet Maintenance Fund, Self-Insurance Fund, and Medical Self-Insurance Fund are the City of Hudson's internal service funds.

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

  Fiduciary Fund statements are displayed on pages 41 through 42 of this report.

Notes to the Financial Statements

The notes provide additional and explanatory data. They are an integral part of the basic financial statements.

The City of Hudson as a Whole

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Hudson, assets and deferred outflows exceed liabilities and deferred inflows by $122,544,111 in governmental activities and $41,146,718 in business-type activities as of December 31, 2022. The largest portion of net position reflects the City's investment in capital assets (i.e. land, buildings, equipment and machinery, infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. At the end of the current year, the City is able to report a positive balance for the government as a whole.

Table 1 provides a summary of the City's net position for 2022 compared to 2021 balances, as previously reported.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current assets	$ 60,703,578	$ 52,605,892	$ 28,033,002	$ 24,009,667	$ 88,736,580	$ 76,615,559
Investment in joint venture	-	-	170,011	170,011	170,011	170,011
Capital assets, net	119,101,144	116,115,277	37,518,549	33,771,223	156,619,693	149,886,500
Net pension asset	326,377	234,269	175,744	126,146	502,121	360,415
Net OPEB asset	1,630,920	910,292	878,186	490,155	2,509,106	1,400,447
Total assets	181,762,019	169,865,730	66,775,492	58,567,202	248,537,511	228,432,932
Deferred outflows of resources:						
Deferred changes on refunding	54,501	89,220	485,670	538,052	540,171	627,272
Pension	4,105,693	2,333,065	1,130,251	634,758	5,235,944	2,967,823
OPEB	679,940	1,183,690	22,651	258,856	702,591	1,442,546
Asset retirement obligations	-	-	19,308	18,454	19,308	18,454
Total deferred outflows of resources	4,840,134	3,605,975	1,657,880	1,450,120	6,498,014	5,056,095
Liabilities:						
Current and other liabilities	14,071,752	12,784,547	3,111,588	3,581,707	17,183,340	16,366,254
Long-term liabilities:						
Due within one year	3,807,338	3,697,331	1,964,316	1,875,797	5,771,654	5,573,128
Due in more than one year	20,539,500	15,885,411	15,429,367	13,554,655	35,968,867	29,440,066
Net pension liability	10,318,383	13,733,017	2,411,934	4,013,720	12,730,317	17,746,737
Net OPEB liability	1,024,443	975,881	-	-	1,024,443	975,881
Total liabilities	49,761,416	47,076,187	22,917,205	23,025,879	72,678,621	70,102,066
Deferred inflows of resources:						
Property taxes	3,692,367	3,698,042	-	-	3,692,367	3,698,042
Pension	7,642,838	4,352,659	2,979,141	1,797,370	10,621,979	6,150,029
OPEB	2,251,045	3,449,126	907,346	1,511,024	3,158,391	4,960,150
Leases	710,376	-	482,962	-	1,193,338	-
Total deferred inflows of resources	14,296,626	11,499,827	4,369,449	3,308,394	18,666,075	14,808,221
Net position:						
Net investment in capital assets	89,764,495	90,172,271	26,165,260	23,627,616	115,929,755	113,799,887
Restricted	3,325,181	3,142,246	-	-	3,325,181	3,142,246
Unrestricted	29,454,435	21,581,174	14,981,458	10,055,433	44,435,893	31,636,607
Total net position	$ 122,544,111	$ 114,895,691	$ 41,146,718	$ 33,683,049	$ 163,690,829	$ 148,578,740

The City follows Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension/OPEB, the net pension/OPEB liability to the reported net position and subtracting the deferred outflows related to pension/OPEB and the net pension/OPEB asset.

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

GASB 68 and GASB 75 require the net pension liability (asset) and the net OPEB liability (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/OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension/OPEB. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should, accordingly, be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide 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/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/OPEB liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension/OPEB liability is satisfied, these liabilities are separately identified within the long-term liability section of the Statement of Net Position.

For governmental activities, there was an increase of $8,097,686 in current assets. This was primarily due to an increase in equity in pooled cash and cash equivalents as receipts outpaced expenditures. Receipts were able to outpace expenditures due to increases due to the issuance of bonds and increases in income tax revenues. For governmental activities, the primary reason for the $1,234,159 increase in deferred outflows of resources was due to changes in the pension/OPEB plans.

For governmental activities, there was a $1,287,205 increase in current liabilities. This was primarily due to an increase in unearned revenues and an increase in accounts payable, offset by a decrease in notes payable. Unearned revenues increased as the City has yet to spend the $2,338,649 received from the American Rescue Plan Act. For long-term liabilities, there was an increase of $1,398,024. This was due to a decrease in the net pension liabilities and an increase due to bond issuance. Deferred inflows increased $2,796,799 primarily due to changes in the pension/OPEB plans.

For governmental activities, unrestricted net position increased $7,873,261 in 2022 compared to 2021 as revenues outpaced expenses. The net result of the changes in net position was an increase of $7,648,420 in net position.

Within the business-type activities, total assets increased $8,208,290 primarily due to an increase in capital assets and equity in pooled cash and cash equivalents. Deferred outflows of resources for business-type activities increased $207,760 as a result of GASB 68 and GASB 75 due to changes in the pension/OPEB plans. Current liabilities decreased in the current year as the City repaid $1,000,000 in notes to improve the City's electric system. Long-term liabilities increased $361,445. The majority of the increase related to the issuance of bonds which was offset by a decrease in the net pension liability. Deferred inflows increased $1,061,055 primarily due to the effects of GASB 68 due to changes in the pension plans. Net investment in capital assets increased $2,537,644. The balance of the unrestricted net position increased 49% to $14,981,458.

Table 2 below, indicates the changes in net position for the years ended December 31, 2022 and 2021, as previously reported.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program revenues:						
Charges for services and sales	$ 1,571,273	$ 1,551,408	$ 27,494,072	$ 26,092,476	$ 29,065,345	$ 27,643,884
Operating grants and contributions	1,763,447	1,711,028	-	-	1,763,447	1,711,028
Capital grants and contributions	1,529,992	3,330,007	1,913,779	136,403	3,443,771	3,466,410
General revenues:						
Taxes	35,703,680	32,058,281	-	-	35,703,680	32,058,281
Grants and entitlements not restricted to specific programs	2,374,987	2,331,819	-	-	2,374,987	2,331,819
Investment (loss) income	(2,229,935)	(424,714)	-	(312)	(2,229,935)	(425,026)
Other/gain on sale of assets	301,337	286,466	50,800	9,600	352,137	296,066
Total revenues	41,014,781	40,844,295	29,458,651	26,238,167	70,473,432	67,082,462
Program expenses:						
General government	7,420,820	4,962,716	-	-	7,420,820	4,962,716
Security of persons and property	8,280,939	7,038,993	-	-	8,280,939	7,038,993
Public health	912,058	859,120	-	-	912,058	859,120
Leisure time services	1,627,622	774,181	-	-	1,627,622	774,181
Community and economic development	1,155,203	924,881	-	-	1,155,203	924,881
Transportation	9,770,805	9,707,215	-	-	9,770,805	9,707,215
Interest and fiscal charges	763,091	568,302	-	-	763,091	568,302
Water System	-	-	1,903,262	1,596,668	1,903,262	1,596,668
Electric System	-	-	20,044,164	18,133,068	20,044,164	18,133,068
Storm Sewer System	-	-	1,233,414	1,083,557	1,233,414	1,083,557
Broadband	-	-	575,950	639,190	575,950	639,190
Golf Course	-	-	1,634,694	1,166,621	1,634,694	1,166,621
Wastewater System	-	-	39,321	40,494	39,321	40,494
Total program expenses	29,930,538	24,835,408	25,430,805	22,659,598	55,361,343	47,495,006
Transfers	(3,435,823)	881,479	3,435,823	(881,479)	-	-
Change in net position	7,648,420	16,890,366	7,463,669	2,697,090	15,112,089	19,587,456
Net position, beginning of the year	114,895,691	98,005,325	33,683,049	30,985,959	148,578,740	128,991,284
Net position, end of the year	$ 122,544,111	$ 114,895,691	$ 41,146,718	$ 33,683,049	$ 163,690,829	$ 148,578,740

Effects of GASB 68 and 75

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

Under GASB 68, pension expense represents additional amounts earned based on a proportionate share of the net pension liability adjusted by a corresponding proportionate share of deferred outflows and inflows. Under GASB 68, the pension expense for 2022 is $(656,077), while in 2021 pension expense was $453,477.

Under GASB 75, OPEB expense represents additional amounts earned based on a proportionate share of the net OPEB liability adjusted by a corresponding proportionate share of deferred outflows and inflows. Under GASB 75, the OPEB expense for 2022 is $(2,080,071), while in 2021 OPEB expense was $(8,554,976).

Governmental Activities

The City's income tax is the largest contributor of revenue sources in governmental activities accounting for 78% of total revenues.

Governmental activities increased the City's net position by $7,648,420. Total revenues remained relatively consistent year over year. Expenses increased by $5,095,130 primarily due to changes in OPEB expense as noted above.

Business-Type Activities

The City's business-type activities are the Water, Electric, Storm Sewer, Broadband, Golf Course, and Wastewater Funds. Charges for services generated the majority of all revenues and transfers in the business-type activities.

Business-type activities increased the City's net position by $7,463,669. Charges for services and sales increased $1,401,596, due to increases in charge for services and sales related to the electric system. Expenses increased $2,771,207 primarily due to changes in OPEB expense as noted above. Capital grants and contributions increased due to an increase in grants related to the Barlow Dam project.

Individual Funds Summary and Analysis

As noted earlier, the City uses fund accounting to demonstrate and ensure compliance with finance related legal requirements.

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $34,734,502, an increase of $4,841,393 in comparison with the prior year.

Approximately 29% of this total amount, or $9,906,618, which represents the *assigned* and *unassigned* classifications, is available for spending at the government's discretion. The remainder of fund balance, *nonspendable, restricted,* and *committed*, is reserved to indicate that it is not readily available for new spending since it has already been committed to liquidate contracts and purchase commitments, to pay debt service or for a variety of other restricted purposes.

The General Fund is the primary operating fund of the City. At the end of the current year, the General Fund's unassigned balance was $16,531,152, while the total fund balance was $21,418,114. The fund balance for the General Fund increased by $2,708,888, from the prior year due a decrease in transfers to construction funds to fund street and sidewalk projects.

The other major governmental funds of the City are the Street Construction, Hudson Parks, Street Sidewalk Construction and Downtown Phase II Funds.

The fund balance of the Street Construction Fund decreased $163,061 due to transportation expenses. The fund balance of the Hudson Parks Fund increased $2,175,176 due to the issuance of bonds. The fund balance of the Street Sidewalk Construction Fund decreased $17,354. The fund balance of the Downtown Phase II Fund decreased $994,692. The decrease is due land improvements.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide and business-type activity financial statements, but in more detail. Net position in the Electric and Storm Water Funds are responsible for the majority of the change noted in the proprietary funds. The Electric Fund's net position increased $2,582,203 due to an increase in charge for services. The Storm Water Fund's net position increased $3,680,365 due to an increase in grants related to the Barlow Dam project.

Budgetary Highlights

As required by State statute, City Council (Council) adopts an annual appropriation (budget) resolution for all City funds.

In the General Fund, the final budgeted revenues and other financing sources as compared to the original budgeted revenue increased by $2,642,897. This increase was primarily in municipal income tax due to higher than expected collections. Final budgeted revenues and other financing sources remained comparable to actual revenues and other financing sources.

The final budgeted expenditures and other financing uses as compared to the original budgeted expenditures remained comparable. Actual General Fund expenditures and other financing uses compared to the final budget were less than expected by $920,017. The general government expenditures accounted for most of that decrease as the actual expenditures were less than the final budget amount by $587,467.

Capital Assets and Debt Administration

Capital Assets

The City's net book value of capital assets for its governmental and business-type activities as of December 31, 2022, amounts to $156,619,693. This investment in capital assets includes land; buildings; land improvements; vehicles; furniture, fixtures and equipment; infrastructure; construction in progress and right-to-use assets. Table 3 shows fiscal 2022 balances of capital assets as compared to the 2021 balances, as previously reported:

Table 3
Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	$ 15,609,384	$ 15,609,384	$ 2,767,192	$ 2,767,192	$ 18,376,576	$ 18,376,576
Construction in progress	6,270,148	6,781,666	3,517,253	523,208	9,787,401	7,304,874
Buildings	20,387,761	19,462,822	5,714,704	5,714,704	26,102,465	25,177,526
Land improvements	6,540,394	6,283,713	2,325,358	2,325,358	8,865,752	8,609,071
Vehicles	8,622,752	8,801,351	1,121,695	1,100,678	9,744,447	9,902,029
Equipment, furniture and fixtures	6,605,706	6,717,553	4,245,561	4,085,016	10,851,267	10,802,569
Infrastructure:						
Roads	169,644,711	163,149,759	-	-	169,644,711	163,149,759
Sidewalks	6,215,707	3,871,388	-	-	6,215,707	3,871,388
Traffic signals	3,088,642	3,088,642	-	-	3,088,642	3,088,642
Broadband	-	-	1,956,632	1,941,272	1,956,632	1,941,272
Water main lines	-	-	20,451,692	20,393,712	20,451,692	20,393,712
Storm water lines	-	-	6,975,513	6,234,120	6,975,513	6,234,120
Electric	-	-	13,087,630	12,734,039	13,087,630	12,734,039
Right-to-use assets	1,074,924	-	532,532	-	1,607,456	-
Less: accumulated depreciation	(124,958,985)	(117,651,001)	(25,177,213)	(24,048,076)	(150,136,198)	(141,699,077)
Total capital assets, net	$ 119,101,144	$ 116,115,277	$ 37,518,549	$ 33,771,223	$ 156,619,693	$ 149,886,500

Additional detailed information relating to the City's capital assets is contained in Note 11 of the notes to the basic financial statements.

Debt

At December 31, 2022, the City had $36,516,184 of long-term bonds, premium on those bonds, loans and other outstanding obligations, excluding AMP Ohio payable, financed purchases, leases, compensated absences, net pension/OPEB liability and asset retirement obligations. Details of the individual obligations can be found in Note 14.

The general obligation indebtedness of the City is subject to two statutory debt limitations referred to as the direct debt limitation: (Section 133.05 of the Ohio Revised Code). Certain debt, with a repayment source other than general tax revenue, is excluded from the definition of net indebtedness. Under that definition, the City has $28,695,837 of net indebtedness as of December 31, 2022. The aggregate principal amount of unvoted net indebtedness may not exceed 5.5% of the assessed valuation for property tax purposes of all real and personal property located within the City. The legal unvoted debt margin was $35,534,492 as of December 31, 2022. The total principal amount of voted and unvoted nonexempt net indebtedness of the City may not exceed 10.5% of its assessed value of real and personal property. Total net indebtedness for both voted and unvoted issues was $28,440,180 leaving the City's overall legal debt margin at $93,693,285 as of December 31, 2022.

Future Funding Considerations

Effective August 17, 2011, Standard & Poor's upgraded the City's rating to AAA. Additionally, the City maintained its bond rating of Aaa from Moody's Investors Service.

During 2022, the City completed its 2023-2027 Five Year Financial Plan that includes operating and capital cost projections for the City's operating funds. The plan identifies numerous capital expenditures including the reconstruction/resurfacing of streets, sidewalk/trail connectivity, replacing various safety forces vehicles and equipment, along with several storm sewer and electric system capital improvements.

Contacting the City Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with an overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City's Finance Department at 330-650-1799 or at 1140 Terex Road, Hudson, Ohio 44236. Electronic copies of the City's 2023-2027 Five Year Financial Plan are available at the City's website – http://www.hudson.oh.us.

City of Hudson, Ohio

Statement of Net Position

December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	$ 42,132,943	$ 20,754,986	$ 62,887,929
Investment in common stock	37,995	-	37,995
Investments in segregated accounts	2,987	-	2,987
Accounts receivable	507,099	4,095,464	4,602,563
Accrued interest receivable	99,656	-	99,656
Intergovernmental receivable	1,600,559	1,800,645	3,401,204
Property taxes receivable	3,929,242	-	3,929,242
Municipal income taxes receivable	8,883,816	-	8,883,816
Special assessments receivable	925	-	925
Lease receivable	718,390	489,974	1,208,364
Internal balances	881,702	(881,702)	-
Materials and supplies inventory	827,870	1,169,922	1,997,792
Prepaid expenses	217,200	48,975	266,175
Restricted assets:			
Restricted cash and cash equivalents	863,194	-	863,194
Cash in segregated accounts – customer deposits	-	554,738	554,738
Noncurrent assets:			
Investment in joint venture	-	170,011	170,011
Nondepreciable capital assets	21,879,532	6,284,445	28,163,977
Depreciable capital assets, net	96,361,673	30,808,078	127,169,751
Right-to-use asset, net	859,939	426,026	1,285,965
Net pension asset	326,377	175,744	502,121
Net OPEB asset	1,630,920	878,186	2,509,106
Total assets	181,762,019	66,775,492	248,537,511
Deferred outflows of resources:			
Deferred charges on refunding	54,501	485,670	540,171
Pension	4,105,693	1,130,251	5,235,944
OPEB	679,940	22,651	702,591
Asset retirement obligations	-	19,308	19,308
Total deferred outflows of resources	4,840,134	1,657,880	6,498,014

(Continued)

City of Hudson, Ohio

Statement of Net Position (continued)

December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Current liabilities:			
Accounts payable	2,138,673	2,003,203	4,141,876
Accrued wages and benefits	316,696	99,502	416,198
Intergovernmental payable	208,478	65,864	274,342
Accrued interest payable	66,366	28,281	94,647
Matured compensated absences	3,155	-	3,155
Payable from restricted assets – customer deposits	-	554,738	554,738
Notes payable	7,847,612	-	7,847,612
Unearned revenues	2,627,578	360,000	2,987,578
Payable from restricted assets – cash held for others	863,194	-	863,194
Long-term liabilities:			
Due within one year	3,807,338	1,964,316	5,771,654
Due in more than one year:			
Other amounts due in more than one year	20,539,500	15,429,367	35,968,867
Net pension liability	10,318,383	2,411,934	12,730,317
Net OPEB liability	1,024,443	-	1,024,443
Total liabilities	49,761,416	22,917,205	72,678,621
Deferred inflows of resources:			
Property taxes	3,692,367	-	3,692,367
Pension	7,642,838	2,979,141	10,621,979
OPEB	2,251,045	907,346	3,158,391
Leases	710,376	482,962	1,193,338
Total deferred inflows of resources	14,296,626	4,369,449	18,666,075
Net position:			
Net investment in capital assets	89,764,495	26,165,260	115,929,755
Restricted for:			
Capital projects	371,255	-	371,255
Debt service	255,657	-	255,657
Street improvements	2,149,419	-	2,149,419
Permanent fund	6,473	-	6,473
Other purposes	542,377	-	542,377
Unrestricted	29,454,435	14,981,458	44,435,893
Total net position	$ 122,544,111	$ 41,146,718	$ 163,690,829

The accompanying notes are an integral part of these financial statements

City of Hudson, Ohio

Statement of Activities

For the Year Ended December 31, 2022

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:				
General government	$ 7,420,820	$ 377,321	$ 32,153	$ 289
Security of persons and property	8,280,939	707,708	188,897	-
Public health	912,058	150,691	-	-
Leisure time services	1,627,622	23,541	-	-
Community and economic development	1,155,203	312,012	-	-
Transportation	9,770,805	-	1,542,397	1,529,703
Interest and fiscal charges	763,091	-	-	-
Total governmental activities	29,930,538	1,571,273	1,763,447	1,529,992
Business-type activities:				
Water System	1,903,262	2,211,667	-	-
Electric System	20,044,164	22,275,567	-	-
Storm Sewer System	1,233,414	-	-	1,913,779
Broadband	575,950	918,957	-	-
Golf Course	1,634,694	2,049,199	-	-
Wastewater System	39,321	38,682	-	-
Total business-type activities	25,430,805	27,494,072	-	1,913,779
Totals	$ 55,361,343	$ 29,065,345	$ 1,763,447	$ 3,443,771

General revenues:
- Property and other local taxes
- Municipal income tax
- Grants and entitlements not restricted to specific programs
- Investment loss
- Other
- Gain on sale of assets
- Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (7,011,057)	$ -	$ (7,011,057)
(7,384,334)	-	(7,384,334)
(761,367)	-	(761,367)
(1,604,081)	-	(1,604,081)
(843,191)	-	(843,191)
(6,698,705)	-	(6,698,705)
(763,091)	-	(763,091)
(25,065,826)	-	(25,065,826)
-	308,405	308,405
-	2,231,403	2,231,403
-	680,365	680,365
-	343,007	343,007
-	414,505	414,505
-	(639)	(639)
-	3,977,046	3,977,046
(25,065,826)	3,977,046	(21,088,780)
3,743,063	-	3,743,063
31,960,617	-	31,960,617
2,374,987	-	2,374,987
(2,229,935)	-	(2,229,935)
301,337	-	301,337
-	50,800	50,800
36,150,069	50,800	36,200,869
(3,435,823)	3,435,823	-
32,714,246	3,486,623	36,200,869
7,648,420	7,463,669	15,112,089
114,895,691	33,683,049	148,578,740
$ 122,544,111	$ 41,146,718	$ 163,690,829

City of Hudson, Ohio

Balance Sheet – Governmental Funds

December 31, 2022

		General Fund		Street Construction Fund		Hudson Parks Fund
Assets:						
Current assets:						
Equity in pooled cash and cash equivalents	$	14,482,500	$	1,204,568	$	4,225,249
Investment in common stock		-		-		-
Investments in segregated accounts		-		-		-
Accounts receivable		44,125		687		-
Accrued interest receivable		82,714		-		3,986
Intergovernmental receivable		611,368		626,247		6,324
Property taxes receivable		3,411,967		-		-
Municipal income taxes receivable		7,026,074		-		714,516
Special assessment receivable		925		-		-
Lease receivable		718,390		-		-
Interfund receivable		1,725,340		-		-
Materials and supplies inventory		33,495		306,677		5,645
Prepaid expenses		164,725		18,415		6,221
Restricted assets:						
Restricted cash and cash equivalents		21,826		-		-
Noncurrent assets:						
Advances to other funds		1,669,278		-		-
Total assets	$	29,992,727	$	2,156,594	$	4,961,941
Liabilities, deferred inflows of resources, and fund balances:						
Liabilities:						
Current liabilities:						
Accounts payable	$	265,212	$	46,458	$	524,134
Accrued wages and benefits		224,795		20,169		11,676
Intergovernmental payable		143,422		17,869		10,536
Accrued interest payable		-		-		-
Matured compensated absences		3,155		-		-
Notes payable		-		-		-
Unearned revenues		-		-		-
Interfund payable		-		-		-
Payable from restricted assets – cash held for others		21,826		-		-
Noncurrent liabilities:						
Advances from other funds		-		-		-
Total liabilities		658,410		84,496		546,346
Deferred inflows of resources:						
Property taxes		3,206,277		-		-
Unavailable revenue		3,999,550		443,189		346,038
Leases		710,376		-		-
Total deferred inflows of resources		7,916,203		443,189		346,038
Fund balances:						
Nonspendable		1,938,116		325,092		11,866
Restricted		-		1,303,817		-
Committed		-		-		4,057,691
Assigned		2,948,846		-		-
Unassigned		16,531,152		-		-
Total fund balance (deficit)		21,418,114		1,628,909		4,069,557
Total liabilities, deferred inflows of resources, and fund balances	$	29,992,727	$	2,156,594	$	4,961,941

The accompanying notes are an integral part of these financial statements

Street Sidewalk Construction Fund	Downtown Phase II Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 6,282,879	$ 572,328	$ 13,942,812	$ 40,710,336
-	-	37,995	37,995
-	-	2,987	2,987
-	-	462,287	507,099
-	-	12,956	99,656
-	-	356,620	1,600,559
-	-	517,275	3,929,242
-	-	1,143,226	8,883,816
-	-	-	925
-	-	-	718,390
-	-	-	1,725,340
-	-	64,577	410,394
-	-	22,066	211,427
-	-	841,368	863,194
-	-	-	1,669,278
$ 6,282,879	$ 572,328	$ 17,404,169	$ 61,370,638
$ 900,216	$ -	$ 318,826	$ 2,054,846
-	-	56,035	312,675
-	-	33,981	205,808
-	16,180	-	16,180
-	-	-	3,155
-	7,847,612	-	7,847,612
-	-	2,627,578	2,627,578
-	1,666,916	-	1,666,916
-	-	841,368	863,194
155,000	615,000	76,000	846,000
1,055,216	10,145,708	3,953,788	16,443,964
-	-	486,090	3,692,367
-	-	1,000,652	5,789,429
-	-	-	710,376
-	-	1,486,742	10,192,172
-	-	93,116	2,368,190
-	-	1,480,316	2,784,133
5,227,663	-	10,390,207	19,675,561
-	-	-	2,948,846
-	(9,573,380)	-	6,957,772
5,227,663	(9,573,380)	11,963,639	34,734,502
$ 6,282,879	$ 572,328	$ 17,404,169	$ 61,370,638

City of Hudson, Ohio

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

December 31, 2022

Total governmental funds balances		$	34,734,502
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			115,835,536
Right-to-use assets used in governmental activities are not financial resources and therefore are not reported in the funds.			739,547
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows of resources in the funds:			
Property and other taxes	$	236,875	
Municipal income taxes		4,251,333	
Special assessments		925	
Charges for services		343,256	
Interest		33,564	
Intergovernmental		923,476	
Total			5,789,429
Internal service funds are used by management to charge the costs of centralized services, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.			3,917,171
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:			
General obligation bonds		(20,814,227)	
Ohio Public Works Commission loan		(57,482)	
Deferred charges on refunding		54,501	
Lease		(769,158)	
Financed purchase		(312,686)	
Compensated absences		(2,251,170)	
Total			(24,150,222)

(Continued)

City of Hudson, Ohio

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities (continued)

December 31, 2022

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(50,186)
The net pension asset/liability is not due in the current period; therefore, the asset/liability and related deferred outflows/inflows are not reported in governmental funds:		
Net pension asset	316,836	
Deferred outflows	4,044,337	
Net pension liability	(10,187,450)	
Deferred inflows	(7,481,114)	
Total		(13,307,391)
The net OPEB asset/liability is not due in the current period; therefore, the asset/liability and related deferred outflows/inflows are not reported in governmental funds:		
Net OPEB asset	1,583,247	
Deferred outflows	678,710	
Net OPEB liability	(1,024,443)	
Deferred inflows	(2,201,789)	
Total		(964,275)
Net position of governmental activities		$ 122,544,111

The accompanying notes are an integral part of these financial statements

City of Hudson, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Year Ended December 31, 2022

	General Fund	Street Construction Fund	Hudson Parks Fund
Revenues:			
Property and other local taxes	$ 3,240,282	$ -	$ -
Municipal income tax	24,347,419	-	2,496,313
Intergovernmental	1,877,817	1,219,767	-
Charges for services	484,139	-	22,830
Fines and forfeitures	43,638	-	-
Special assessments	885	-	-
(Loss) gain on investments	(1,856,868)	-	(89,205)
Other	169,084	23,554	13,289
Total revenues	28,306,396	1,243,321	2,443,227
Expenditures:			
Current:			
General government	7,395,288	-	-
Security of persons and property	5,091,217	-	-
Public health	685,779	-	-
Leisure time services	-	-	1,663,037
Community and economic development	1,242,679	-	-
Transportation	-	3,501,734	-
Capital outlay	367,666	103,396	2,122,232
Debt service:			
Principal retirement	60,634	260,873	101,247
Interest and fiscal charges	13,940	40,379	29,818
Issuance costs	-	-	98,912
Total expenditures	14,857,203	3,906,382	4,015,246
Excess of revenues over (under) expenditures	13,449,193	(2,663,061)	(1,572,019)
Other financing (uses) sources:			
Proceeds from sale of assets	-	-	8,656
Issuance of bonds	-	-	3,810,000
Premium on the issuance of bonds	-	-	49,002
Transfers – in	-	2,500,000	-
Transfers – out	(10,740,305)	-	(120,463)
Total other financing (uses) sources	(10,740,305)	2,500,000	3,747,195
Net change in fund balances	2,708,888	(163,061)	2,175,176
Fund balance (deficit), beginning of year	18,709,226	1,791,970	1,894,381
Fund balance (deficit), end of year	$ 21,418,114	$ 1,628,909	$ 4,069,557

The accompanying notes are an integral part of these financial statements

Street Sidewalk Construction Fund	Downtown Phase II Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ 491,861	$ 3,732,143
-	-	3,994,103	30,837,835
1,529,703	289	638,700	5,266,276
-	-	1,147,761	1,654,730
-	-	153,460	197,098
-	-	-	885
-	6,697	(278,745)	(2,218,121)
20	-	95,390	301,337
1,529,723	6,986	6,242,530	39,772,183
-	9,250	42,377	7,446,915
-	-	3,868,414	8,959,631
-	-	263,188	948,967
-	-	244,768	1,907,805
-	-	158,349	1,401,028
987,693	-	-	4,489,427
5,660,127	916,439	588,605	9,758,465
-	-	1,968,037	2,390,791
-	43,838	430,767	558,742
60,749	32,151	-	191,812
6,708,569	1,001,678	7,564,505	38,053,583
(5,178,846)	(994,692)	(1,321,975)	1,718,600
-	-	5,606	14,262
2,340,000	-	-	6,150,000
29,992	-	-	78,994
2,791,500	-	2,648,805	7,940,305
-	-	(200,000)	(11,060,768)
5,161,492	-	2,454,411	3,122,793
(17,354)	(994,692)	1,132,436	4,841,393
5,245,017	(8,578,688)	10,831,203	29,893,109
$ 5,227,663	$ (9,573,380)	$ 11,963,639	$ 34,734,502

City of Hudson, Ohio

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2022

Net change in fund balances – total governmental funds		$ 4,841,393
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays and deprecation differed in the current period:		
Capital outlay	$ 9,803,628	
Depreciation	(7,576,670)	
Total		2,226,958
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal.		(62,497)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Property and other taxes	10,920	
Municipal income taxes	1,122,782	
Special assessments	(375)	
Charges for services	10,052	
Interest	(11,814)	
Intergovernmental	111,033	
Total		1,242,598
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
General obligation bonds	2,058,000	
Lease	155,276	
Financed purchase	170,329	
Ohio Public Works Commission loan	7,186	
Total		2,390,791

(Continued)

City of Hudson, Ohio

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (continued)

For the Year Ended December 31, 2022

Other financing sources in the governmental funds that increase long-term liabilities in the Statement of Net Position.		
General obligations bonds issued	(6,150,000)	
Premium on bonds issued	(78,994)	
Total		(6,228,994)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Accrued interest on debt	(2,024)	
Amortization of loss on refunding	(34,719)	
Amortization of premiums	24,206	
Compensated absences	83,358	
Total		70,821
Internal service funds are used by management to charge costs of certain activities, such as insurance to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.		(94,787)
Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows:		
OPERS traditional pension	1,047,464	
OPERS combined pension	47,276	
OP&F pension	510,226	
OPERS OPEB	17,922	
OP&F OPEB	13,427	
Total		1,636,315
Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB liability/asset are reported as pension/OPEB expense/contra expense in the Statement of Activities:		
OPERS traditional pension	630,463	
OPERS combined pension	14,737	
OP&F pension	(313,367)	
OPERS OPEB	1,346,497	
OP&F OPEB	(52,508)	
Total		1,625,822
Change in net position of governmental activities		$ 7,648,420

City of Hudson, Ohio

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual – General Fund

For the Year Ended December 31, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Property and other local taxes	$ 2,958,621	$ 3,240,488	$ 3,240,282	$ (206)
Municipal income tax	22,086,158	24,190,300	24,278,839	88,539
Intergovernmental	1,713,708	1,876,973	1,874,417	(2,556)
Charges for services	362,867	397,436	391,382	(6,054)
Fines and forfeitures	41,132	45,050	44,808	(242)
Special assessment	808	885	885	-
Interest	511,290	560,000	612,660	52,660
Other	64,825	71,000	72,902	1,902
Total revenues	27,739,409	30,382,132	30,516,175	134,043
Expenditures:				
Current:				
General government	7,498,433	8,427,465	7,839,998	587,467
Security of persons and property	5,258,575	5,263,466	5,135,237	128,229
Public health	732,360	759,360	728,997	30,363
Community and economic development	1,372,790	1,505,790	1,355,363	150,427
Capital outlay	515,921	739,733	716,202	23,531
Total expenditures	15,378,079	16,695,814	15,775,797	920,017
Excess of revenues over expenditures	12,361,330	13,686,318	14,740,378	1,054,060
Other financing sources (uses):				
Proceeds from sale of assets	1,826	2,000	6,797	4,797
Transfers – out	(11,890,305)	(10,740,305)	(10,740,305)	-
Total other financing (uses) sources	(11,888,479)	(10,738,305)	(10,733,508)	4,797
Net change in fund balance	472,851	2,948,013	4,006,870	1,058,857
Fund balance, beginning of year	13,134,689	13,134,689	13,134,689	-
Prior fiscal year encumbrances appropriated	449,477	449,477	449,477	-
Fund balance, end of year	$ 14,057,017	$ 16,532,179	$ 17,591,036	$ 1,058,857

The accompanying notes are an integral part of these financial statements

City of Hudson, Ohio

Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget (Non-GAAP Budgetary Basis) and Actual – Street Construction Fund

For the Year Ended December 31, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Intergovernmental	$ 1,229,158	$ 1,240,000	$ 1,245,732	$ 5,732
Other	10,012	10,100	10,067	(33)
Total revenues	1,239,170	1,250,100	1,255,799	5,699
Expenditures:				
Current:				
Transportation	3,704,911	4,296,411	3,806,705	489,706
Capital outlay	274,125	274,125	262,653	11,472
Total expenditures	3,979,036	4,570,536	4,069,358	501,178
Excess of revenues (under) expenditures	(2,739,866)	(3,320,436)	(2,813,559)	506,877
Other financing sources:				
Proceeds from sale of assets	12,688	12,800	12,800	-
Transfers – in	2,478,142	2,500,000	2,500,000	-
Total other financing sources	2,490,830	2,512,800	2,512,800	-
Net change in fund balance	(249,036)	(807,636)	(300,759)	506,877
Fund balance, beginning of year	1,221,603	1,221,603	1,221,603	-
Prior fiscal year encumbrances appropriated	105,994	105,994	105,994	-
Fund balance, end of year	$ 1,078,561	$ 519,961	$ 1,026,838	$ 506,877

The accompanying notes are an integral part of these financial statements

City of Hudson, Ohio

Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget (Non-GAAP Budgetary Basis) and Actual – Hudson Parks Fund

For the Year Ended December 31, 2022

	Budget Original	Budget Final	Actual	Variance with Final Budget
Revenues:				
Municipal income tax	$ 1,858,959	$ 2,478,096	$ 2,490,456	$ 12,360
Charges for services	16,653	22,200	22,830	630
Interest	24,005	32,000	30,474	(1,526)
Other	11,876	15,830	13,289	(2,541)
Total revenues	1,911,493	2,548,126	2,557,049	8,923
Expenditures:				
Current:				
Leisure time services	1,183,218	1,416,055	1,344,043	72,012
Capital outlay	3,694,536	4,254,291	4,005,778	248,513
Debt service:				
Principal retirement	212,150	1,062,150	947,149	115,001
Interest and fiscal charges	58,173	58,173	34,957	23,216
Total expenditures	5,148,077	6,790,669	6,331,927	458,742
Excess of revenues (under) expenditures	(3,236,584)	(4,242,543)	(3,774,878)	467,665
Other financing sources (uses):				
Proceeds from sale of assets	6,526	8,700	8,656	(44)
Issuance of bonds	2,858,095	3,810,000	3,810,000	-
Premium on the issuance of bonds	36,758	49,000	49,002	2
Transfers – out	-	-	(120,463)	(120,463)
Total other financing sources (uses)	2,901,379	3,867,700	3,747,195	(120,505)
Net change in fund balance	(335,205)	(374,843)	(27,683)	347,160
Fund balance, beginning of year	1,912,462	1,912,462	1,912,462	-
Prior fiscal year encumbrances appropriated	543,723	543,723	543,723	-
Fund balance, end of year	$ 2,120,980	$ 2,081,342	$ 2,428,502	$ 347,160

The accompanying notes are an integral part of these financial statements

City of Hudson, Ohio

Statement of Fund Net Position
Proprietary Funds

December 31, 2022

		Water		Electric		Storm Sewer
Assets:						
Current assets:						
Equity in pooled cash and cash equivalents	$	3,328,864	$	12,734,756	$	2,369,837
Accounts receivable		330,894		3,764,560		-
Intergovernmental receivable		-		-		468,016
Lease receivable		489,974		-		-
Materials and supplies inventory		210,830		868,794		50,784
Prepaid assets		7,770		27,264		6,238
Restricted assets:						
Cash in segregated accounts		-		554,738		-
Total current assets		4,368,332		17,950,112		2,894,875
Noncurrent assets:						
Investment in joint venture		-		170,011		-
Nondepreciable capital assets		1,569,360		515,625		2,191,235
Depreciable capital assets, net		11,054,226		11,945,997		5,700,480
Right-to-use asset, net		94,384		-		94,384
Net pension asset		19,081		102,436		25,607
Net OPEB asset		95,346		511,857		127,964
Total noncurrent assets		12,832,397		13,245,926		8,139,670
Total assets		17,200,729		31,196,038		11,034,545
Deferred outflows of resources:						
Deferred charges on refunding		147,955		57,755		183,331
Pension		122,713		658,775		164,693
OPEB		2,460		13,202		3,300
Asset retirement obligations		19,308		-		-
Total deferred outflows of resources		292,436		729,732		351,324
Liabilities:						
Current liabilities:						
Accounts payable		65,334		1,599,176		249,007
Accrued wages and benefits		15,682		51,932		12,974
Intergovernmental payable		9,666		33,537		10,589
Interfund payable		-		58,424		-
Accrued interest payable		13,789		2,782		3,332
Unearned revenues		-		360,000		-
Payable from restricted assets – customer deposits		-		554,738		-
AMP Ohio payable		-		5,496		-
Lease payable		21,753		-		21,753
Compensated absences payable		127,748		509,014		55,001
General obligation bonds payable		344,000		192,000		182,000
Total current liabilities		597,972		3,367,099		534,656
Long-term liabilities (net of current portion):						
Advances from other funds		-		43,820		80,350
Lease payable		76,410		-		76,410
Compensated absences payable		40,519		335,070		54,189
General obligation bonds payable		7,019,600		1,486,125		1,432,588
Net pension liability		261,867		1,405,812		351,454
Asset retirement obligations		41,216		-		-
Total long-term liabilities		7,439,612		3,270,827		1,994,991
Total liabilities		8,037,584		6,637,926		2,529,647
Deferred inflows of resources:						
Pension		323,450		1,736,414		434,103
OPEB		98,512		528,853		132,213
Lease		482,962		-		-
Total deferred inflows of resources		904,924		2,265,267		566,316
Net position:						
Net investment in capital assets		5,515,043		11,578,722		6,264,629
Unrestricted (deficit)		3,035,614		11,443,855		2,025,277
Total net position	$	8,550,657	$	23,022,577	$	8,289,906

The accompanying notes are an integral part of these financial statements

Broadband	Nonmajor Funds	Totals	Governmental Activities Internal Service Funds
$ 774,155	$ 1,547,374	$ 20,754,986	$ 1,422,607
-	10	4,095,464	-
-	1,332,629	1,800,645	-
-	-	489,974	-
-	39,514	1,169,922	417,476
-	7,703	48,975	5,773
-	-	554,738	-
774,155	2,927,230	28,914,704	1,845,856
-	-	170,011	-
-	2,008,225	6,284,445	11,967
1,204,157	903,218	30,808,078	2,393,702
-	237,258	426,026	120,392
7,029	21,591	175,744	9,541
35,127	107,892	878,186	47,673
1,246,313	3,278,184	38,742,490	2,583,275
2,020,468	6,205,414	67,657,194	4,429,131
-	96,629	485,670	-
45,211	138,859	1,130,251	61,356
906	2,783	22,651	1,230
-	-	19,308	-
46,117	238,271	1,657,880	62,586
4,823	84,863	2,003,203	83,827
5,132	13,782	99,502	4,021
3,324	8,748	65,864	2,670
-	-	58,424	-
5,620	2,758	28,281	-
-	-	360,000	-
-	-	554,738	-
-	-	5,496	-
-	52,851	96,357	27,747
13,257	69,443	774,463	16,902
170,000	200,000	1,088,000	-
202,156	432,445	5,134,328	135,167
-	699,108	823,278	-
-	177,571	330,391	97,466
1,244	70,263	501,285	-
3,476,212	1,141,950	14,556,475	-
96,478	296,323	2,411,934	130,933
-	-	41,216	-
3,573,934	2,385,215	18,664,579	228,399
3,776,090	2,817,660	23,798,907	363,566
119,165	366,009	2,979,141	161,724
36,294	111,474	907,346	49,256
-	-	482,962	-
155,459	477,483	4,369,449	210,980
-	2,806,866	26,165,260	2,400,848
(1,864,964)	341,676	14,981,458	1,516,323
$ (1,864,964)	$ 3,148,542	$ 41,146,718	$ 3,917,171

City of Hudson, Ohio

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

For the Year Ended December 31, 2022

	Water	Electric	Storm Sewer
Operating revenues:			
Charges for services	$ 2,175,682	$ 22,113,372	$ -
Other	35,985	162,195	19,491
Total operating revenues	2,211,667	22,275,567	19,491
Operating expenses:			
Personal services	652,587	2,280,115	554,553
Materials and supplies	154,559	39,025	118,543
Contractual services	415,075	17,166,622	283,846
Claims	-	-	-
Other	2,150	7,072	-
Depreciation	474,433	492,168	213,315
Total operating expenses	1,698,804	19,985,002	1,170,257
Operating income (loss)	512,863	2,290,565	(1,150,766)
Non-operating (expenses) revenues:			
Intergovernmental	-	-	1,894,288
Interest and fiscal charges	(204,458)	(59,162)	(63,157)
Gain (loss) on sale of assets	-	50,800	-
Total non-operating (expenses) revenues	(204,458)	(8,362)	1,831,131
Income before transfers and capital contributions (distributions)	308,405	2,282,203	680,365
Transfers – in	-	-	3,000,000
Capital distributions	-	-	-
Capital contributions	-	300,000	-
Change in net position	308,405	2,582,203	3,680,365
Net position, beginning of year	8,242,252	20,440,374	4,609,541
Net position, end of year	$ 8,550,657	$ 23,022,577	$ 8,289,906

The accompanying notes are an integral part of these financial statements

Broadband	Nonmajor Funds	Totals	Governmental Activities Internal Service Funds
$ 918,957	$ 2,041,923	$ 27,249,934	$ 2,275,751
-	45,958	263,629	11,565
918,957	2,087,881	27,513,563	2,287,316
138,168	650,470	4,275,893	237,294
6,827	602,334	921,288	608,035
237,182	193,199	18,295,924	152,834
-	-	-	380,108
31	165	9,418	-
125,763	179,698	1,485,377	529,726
507,971	1,625,866	24,987,900	1,907,997
410,986	462,015	2,525,663	379,319
-	-	1,894,288	-
(67,979)	(48,149)	(442,905)	(5,679)
-	-	50,800	(168,427)
(67,979)	(48,149)	1,502,183	(174,106)
343,007	413,866	4,027,846	205,213
-	120,463	3,120,463	-
-	-	-	(300,000)
15,360	-	315,360	-
358,367	534,329	7,463,669	(94,787)
(2,223,331)	2,614,213	33,683,049	4,011,958
$ (1,864,964)	$ 3,148,542	$ 41,146,718	$ 3,917,171

City of Hudson, Ohio

Statement of Cash Flows
Proprietary Funds

For the Year Ended December 31, 2022

		Water		Electric		Storm Sewer
Cash flows from operating activities:						
Cash received from customers	$	2,150,065	$	21,977,444	$	-
Cash received from interfund services provided		-		-		-
Cash payments to employees for services		(932,505)		(3,320,743)		(793,594)
Cash payments for goods and services		(515,794)		(16,845,661)		(749,399)
Cash payments for claims		-		-		-
Other operating revenues		26,263		202,479		19,491
Other operating expenses		-		(52,115)		-
Net cash provided (used) by operating activities		728,029		1,961,404		(1,523,502)
Cash flows from noncapital financing activities:						
Transfers – in		-		-		3,000,000
Cash flows from capital and related financing activities:						
Acquisition of capital assets		(1,622,581)		(456,757)		(2,074,598)
Proceeds from sale of capital assets		-		50,800		-
Proceeds from issuance of bonds		1,685,000		1,000,000		-
Premium from issuance of bonds		21,645		12,735		-
Bond issuance costs		(43,745)		(25,961)		-
Intergovernmental		-		-		1,426,272
Proceeds from Summit County for debt payments		-		-		-
Principal payments		(351,817)		(1,186,000)		(192,817)
Interest payments		(150,687)		(30,321)		(47,836)
Net cash used by capital and related financing activities		(462,185)		(635,504)		(888,979)
Net increase cash and cash equivalents		265,844		1,325,900		587,519
Cash and cash equivalents, beginning of year		3,063,020		11,963,594		1,782,318
Cash and cash equivalents, end of year	$	3,328,864	$	13,289,494	$	2,369,837

The accompanying notes are an integral part of these financial statements

Broadband	Nonmajor Funds	Totals	Governmental Activities Internal Service Funds
$ 918,957	$ 2,041,930	$ 27,088,396	$ -
-	-	-	2,275,751
(205,416)	(858,852)	(6,111,110)	(350,215)
(248,030)	(735,559)	(19,094,443)	(742,436)
-	-	-	(378,867)
-	45,958	294,191	11,565
(44)	-	(52,159)	-
465,467	493,477	2,124,875	815,798
-	120,463	3,120,463	-
-	(34,066)	(4,188,002)	(744,635)
-	-	50,800	-
-	-	2,685,000	-
-	-	34,380	-
-	-	(69,706)	-
-	-	1,426,272	-
-	80,000	80,000	-
(170,000)	(262,150)	(2,162,784)	(25,277)
(70,843)	(37,092)	(336,779)	(5,679)
(240,843)	(253,308)	(2,480,819)	(775,591)
224,624	360,632	2,764,519	40,207
549,531	1,186,742	18,545,205	1,382,400
$ 774,155	$ 1,547,374	$ 21,309,724	$ 1,422,607

(Continued)

City of Hudson, Ohio

Statement of Cash Flows
Proprietary Funds (continued)

For the Year Ended December 31, 2022

	Water	Electric	Storm Sewer
Reconciliation of operating income (loss) to net cash from operating activities:			
Operating income (loss)	$ 512,863	$ 2,290,565	$ (1,150,766)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	474,433	492,168	213,315
Asset retirement obligation expense	(854)	-	-
Lease revenue	(32,197)	-	-
(Increase) decrease in operating assets and deferred outflows of resources:			
Accounts receivable	(28,327)	(278,613)	-
Intergovernmental receivable	-	-	613
Materials and supplies inventory	15,719	(79,498)	7,150
Lease receivable	25,185	-	-
Prepaid assets	(2,023)	800	318
Net pension asset	(5,385)	(28,911)	(7,225)
Net OPEB asset	(42,129)	(226,168)	(56,542)
Deferred outflows – pension	(53,797)	(288,801)	(72,200)
Deferred outflows – OPEB	25,645	137,675	34,418
Increase (decrease) in operating liabilities and deferred inflows of resources:			
Accounts payable	38,388	438,293	(353,600)
Accrued wages and benefits	(998)	4,106	3,778
Intergovernmental payable	(5,247)	(1,762)	1,539
Due to other funds	-	(640)	-
Net pension liability	(173,908)	(933,614)	(233,402)
Asset retirement obligation	3,004	-	-
Unearned revenues	-	110,000	-
Customer deposits	-	28,963	-
AMP Ohio payable	-	272	-
Compensated absences payable	(84,899)	(39,852)	5,213
Deferred inflows – pension	128,306	688,804	172,201
Deferred inflows – OPEB	(65,750)	(352,383)	(88,312)
Total adjustments	215,166	(329,161)	(372,736)
Net cash provided (used) by operating activities	$ 728,029	$ 1,961,404	$ (1,523,502)

The accompanying notes are an integral part of these financial statements

Broadband	Nonmajor Funds	Totals	Governmental Activities Internal Service Funds
$ 410,986	$ 462,015	$ 2,525,663	$ 379,319
125,763	179,698	1,485,377	529,726
-	-	(854)	-
-	-	(32,197)	-
-	7	(306,933)	-
-	-	613	-
-	(16,882)	(73,511)	(8,726)
-	-	25,185	-
-	(650)	(1,555)	(630)
(1,983)	(6,094)	(49,598)	(2,693)
(15,520)	(47,672)	(388,031)	(21,064)
(19,821)	(60,874)	(495,493)	(26,897)
10,660	29,019	237,417	12,822
(4,021)	77,600	196,660	28,875
1,199	893	8,978	(1,364)
340	(1,062)	(6,192)	(1,761)
-	-	(640)	-
(64,070)	(196,792)	(1,601,786)	(86,954)
-	-	3,004	-
-	-	110,000	-
-	-	28,963	-
-	-	272	-
(1,205)	3,395	(117,348)	(16,190)
47,271	145,189	1,181,771	64,152
(24,132)	(74,313)	(604,890)	(32,817)
54,481	31,462	(400,788)	436,479
$ 465,467	$ 493,477	$ 2,124,875	$ 815,798

(Continued)

City of Hudson, Ohio

Statement of Cash Flows
Proprietary Funds (continued)

For the Year Ended December 31, 2022

	Water	Electric	Storm Sewer
Non-cash capital financing activities:			
Amortization of premium on general obligation bonds	$ (5,220)	$ (1,452)	$ (1,211)
Amortization of deferred charges on refunding	13,642	10,372	16,816
Amortization of premium on notes	-	(6,690)	-
Capital assets contributed from governmental activities	-	300,000	-
Capital assets distributed to electric fund	-	-	-
Capital assets purchased on account	4,759	-	192,050

Broadband	Nonmajor Funds	Totals	Governmental Activities Internal Service Funds
$ (2,580)	$ (1,362)	$ (11,825)	$ -
-	11,552	52,382	-
-	-	(6,690)	-
15,360	-	315,360	-
-	-	-	(300,000)
-	-	196,809	-

City of Hudson, Ohio

Statement of Fiduciary Net Position
Fiduciary Funds

December 31, 2022

		Custodial Funds
Assets:		
Equity in pooled cash and cash equivalents	$	1,368
Property taxes receivable		2,642,314
Municipal income taxes receivable		643,064
Intergovernmental receivable		122,170
Total assets		3,408,916
Liabilities:		
Intergovernmental payable		1,368
Deferred inflows of resources:		
Property taxes		2,490,203
Net position:		
Restricted for other governments		917,345
Total net position	$	917,345

The accompanying notes are an integral part of these financial statements

City of Hudson, Ohio

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For the Year Ended December 31, 2022

		Custodial Funds
Additions:		
Property tax collected for other governments	$	2,526,639
Intergovernmental revenues collected for other governments		232,245
Municipal income tax collected for other governments		2,328,750
Total additions		5,087,634
Deductions:		
Payments of property tax to others		2,692,902
Payments of municipal income tax to other governments		2,177,822
Collection dues and fees		122,815
Total deductions		4,993,539
Change in fiduciary net position		94,095
Fiduciary net position, beginning of year		823,250
Fiduciary net position, end of year	$	917,345

The accompanying notes are an integral part of these financial statements

Note 1: Description of the City and Reporting Entity

The City of Hudson, Ohio (the "City") is a charter municipal corporation established and operating under the laws of the State of Ohio. The City was incorporated as a village in 1837, and became a city on March 20, 1991. The City merged with Hudson Township on January 1, 1994. The municipal government provided by the Charter is known as a Mayor – Council – Manager form of government. Legislative power is vested in a seven-member Council, each elected to a four-year term. The Mayor is also elected to a four-year term and is the official and ceremonial head of the municipal government. The City Manager is the chief executive officer and the head of the administrative agencies of the City. The City Manager appoints all department managers while Council appoints the Clerk of Council.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the City are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Hudson, this includes police and fire protection, emergency medical, parks, planning, zoning, street maintenance and repair, and general administrative services. Overall, City activities are directly controlled by Council through the budgetary process.

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

The City is associated with a joint venture and a shared risk pool. The joint venture is the Ohio Municipal Electric Generation Agency Joint Venture 5. The Northern Ohio Risk Management Association (NORMA) is the shared risk pool. The City is also associated with a jointly governed organization, the Regional Income Tax Agency (RITA). These organizations are presented in Notes 21 and 22, respectively.

Note 2: Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used.

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Governmental Funds (continued)

Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

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

Street Construction Fund – The Street Construction Special Revenue Fund accounts for proceeds of specific revenue sources that are legally restricted to expenditures for street maintenance and repair.

Hudson Park Fund – The Park Board Special Revenue Fund accounts for proceeds of specific revenue sources that are legally committed to expenditures for park maintenance and repair.

Street Sidewalk Construction Capital Projects Fund This fund accounts for the costs of the City's annual street and sidewalk maintenance and construction program.

Downtown Phase II Fund – The Downtown Phase II Fund accounts for activity related to redevelopment and downtown expansion.

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

Proprietary Funds

Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

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

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

Electric Fund – The Electric Fund accounts for the cost of operating the municipally-owned electric utility and the related revenue from charges for services.

Storm Sewer Fund – The Storm Sewer Fund accounts for the cost of operating the City's storm sewer system.

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Proprietary Funds (continued)

Broadband Fund – The Broadband Fund accounts for the cost of operating the City's broadband system and the related revenue from charges for services.

Internal Service Funds – Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service funds report on equipment reserve and fleet management and self-insurance programs for employee medical benefits.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City maintains two custodial funds to account for property taxes levied by the City on behalf of Hudson Library and Historical Society and Hudson Schools.

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position.

Fund Financial Statements

All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources are generally included on the Balance Sheet.

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

Note 2: Summary of Significant Accounting Policies (continued)

C. Measurement Focus (continued)

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

D. Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 8). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements may report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2022, the City had deferred outflows of resources for deferred charges on refunding, asset retirement obligations, amounts for pension and other postemployment benefits (OPEB) plans reported in the government-wide Statement of Net Position and the proprietary funds Statement of Fund Net Position. A deferred charge 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.

In addition to liabilities, the financial statements may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be a recognized as inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, unavailable revenue, amounts for pension and OPEB plans and leases. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2022, but which were levied to finance fiscal year 2023 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Unavailable revenue is reported only on the governmental funds Balance Sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, special assessments, charge for services, interest, and intergovernmental revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position and in the proprietary funds Statement of Fund Net Position.

The deferred outflows and inflows of resources related to pension and OPEB plans are explained in Note 16 and Note 17. Deferred inflows of resources related to leases are explained in Note 3 and Note 7.

Expenses/Expenditures

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

Note 2: Summary of Significant Accounting Policies (continued)

E. Budgetary Process

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

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

Appropriations by fund must be within the estimated resources as certified by the Budget Commission of Summit County and the total of expenditures and encumbrances may not exceed the appropriations at the legal level of control. Any revisions that alter the appropriations among departments within a fund must first be approved by Council.

Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. Appropriation amounts are as originally adopted, or as amended by Council throughout the year by supplemental appropriations which either reallocate or increase the original appropriation amounts. During the year, supplemental appropriation measures were legally enacted. The budgetary figures which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications.

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 at the legal level of budgetary control.

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

F. Cash and Cash Equivalents

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

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents (continued)

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as overnight repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Loss on investments credited to the General Fund during the year 2022 amounted to $1,856,868, which includes $1,325,430 assigned from other City funds.

The City has segregated bank accounts and investments for monies held separate from the City's central bank accounts. These accounts and investments are presented on the financial statements as "Cash in segregated accounts – customer deposits" and "Investments in segregated accounts" since they are not required to be deposited into the City treasury.

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 the City has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the year ended 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for all deposits and withdrawals of $100 million or more. 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.

The City has donated stock. The account is presented on the financial statements as "Investment in common stock" since they are not required to be deposited into the City treasury. See Note 6, Deposits and Investments.

Investments of the cash pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as "Equity in pooled cash and cash equivalents".

G. Interfund Balances

On the fund financial statements, interfund loans are classified as "Interfund receivable/payable" on the Balance Sheet. Long-term interfund loans are classified as "Advances to/from other funds" on the Balance Sheet and are equally offset as part of nonspendable fund balance which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities 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 2: Summary of Significant Accounting Policies (continued)

H. Inventory

Inventories of all funds are stated at cost which is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditures in the governmental fund types and as expenses in the proprietary fund types when used.

I. Prepaid Items

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

J. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund and nonmajor governmental funds represent flex benefits due to employees and contractor deposits, respectively.

K. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The City maintains a capitalization threshold of $5,000. The City's infrastructure consists of roads, sidewalks, traffic signals, broadband, electric, and water and storm water lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Note 2: Summary of Significant Accounting Policies (continued)

K. Capital Assets (continued)

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	5 to 100 years	10 to 50 years
Land improvements	10 to 50 years	15 to 50 years
Vehicles	5 to 12 years	8 to 30 years
Equipment, furniture and fixtures	5 to 20 years	5 to 30 years
Infrastructure	5 to 65 years	2 to 100 years

The City is reporting right to use assets related to leased property and equipment. These assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

L. Compensated Absences

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

Sick leave benefits are reported as a liability using the vesting method. An accrual for sick leave is made for those employees who are currently eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. The liability is an estimate based on the City's past experience of making termination payments.

The entire compensated liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "matured compensated absences" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. Payables, Accrued Liabilities and Long-Term Obligations

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

Note 2: Summary of Significant Accounting Policies (continued)

M. Payables, Accrued Liabilities and Long-Term Obligations (continued)

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. Bonds, financed purchase, lease payable and long-term loans are recognized as a liability on the fund financial statements when due.

N. Fund Balance

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

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

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

Note 2: Summary of Significant Accounting Policies (continued)

N. Fund Balance (continued)

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 Council or a City official delegated that authority by the Council. For the City, this individual is the Finance Director.

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.

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

O. Net Position

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

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

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, electric, storm sewer, broadband, wastewater fees, golf course fees, and self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as non-operating.

Q. Contributions of Capital / Distributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Note 2: Summary of Significant Accounting Policies (continued)

Q. Contributions of Capital / Distributions of Capital (continued)

Contribution of capital in the proprietary funds and distribution of capital in governmental activities financial statements arise from inside contributions of capital assets and distributions of capital assets or resources restricted to capital acquisition and construction. These are shown as transfers on the Statement of Activities.

R. Interfund Activity

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

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

S. Deferred Charge on Refunding

The difference between the reacquisition price (funds required to refund the old debt) of various refunding bonds and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt whichever is shorter and is presented as deferred outflows of resources on the Statement of Net Position.

T. Pensions/Other Postemployment Benefits (OPEB)

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

U. Bond Premiums and Discounts

On the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are receipted in the year the bonds are issued.

Note 2: Summary of Significant Accounting Policies (continued)

V. Estimates

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

W. Unearned Revenues

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Note 3: Changes in Accounting Principles

Newly Adopted Accounting Pronouncements

For fiscal year 2022, the City implemented the following Governmental Accounting Standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB Implementation Guide No. 2019-3, *Leases,* provides guidance that clarifies, explains, or elaborates on the requirements for GASB Statement No. 87.

These changes were incorporated into the City's 2022 financial statements. As a result of the implementation of this standard, effective January 1, 2022, the City recorded a lease receivable of $752,163 an offsetting deferred inflows of $752,163 in the general fund and governmental activities and a lease receivable of $515,159 with offsetting deferred inflows of $515,159 in the water fund.

The City also recorded a right to use asset of $150,490 and offsetting lease payable of $150,490 in the in the equipment reserve internal service fund, a right to use asset of $924,434 and offsetting lease payable of $924,434 in governmental activities, a right to use asset of $117,980 and offsetting lease payable of $117,980 in the water and storm sewer fund and a right to use asset of $296,572 and offsetting lease payable of $296,572 golf course fund.

GASB Statement No. 92, *Omnibus 2020*. This statement addresses a variety of topics with objectives to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.

Note 3: Changes in Accounting Principles (continued)

Newly Adopted Accounting Pronouncements (continued)

GASB Statement No. 91, *Conduit Debt Obligations,* was issued in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after December 15, 2021. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.

Newly Issued Accounting Pronouncements, Not Yet Adopted

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* was issued in March 2020. This statement clarifies the accounting and financial reporting surrounding public-private and public-public partnerships and availability payment arrangements. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023. The City has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* was issued in May 2020. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this statement are effective for financial statements starting with the fiscal year that ends June 30, 2023. The City has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 99, *Omnibus 2022,* was issued in April 2022. This statement addresses a variety of topics with objectives to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. The City has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB Statement No. 62,* was issued in June 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for fiscal years beginning after June 15, 2023. The City has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 101, *Compensated Absences,* was issued in June 2022. The primary objective of this Statement is to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023. The City has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

Note 4: Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. A Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual is presented for the General Fund, Street Construction Special Revenue Fund, and Hudson Parks Special Revenue Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute.

The major difference between the budgetary basis and the GAAP basis are:

1) Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2) Expenditures are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).
3) Encumbrances are treated as expenditures (budgetary) rather than as restricted, committed, or assigned fund balance (GAAP).
4) Investments are reported at fair value (GAAP) rather than cost (budgetary).
5) Budgetary revenues and expenditures of the flexible benefits fund, unclaimed funds fund and morning song inspections fund are classified to the general fund for GAAP reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund, Street Construction Special Revenue Fund, and Hudson Parks Special Revenue Fund.

Net Change In Fund Balance

	General	Street Construction	Hudson Park
GAAP basis	$ 2,708,888	$ (163,061)	$ 2,175,176
Net adjustment for revenue accruals	(135,268)	25,278	113,822
Net fair market value adjustment	2,477,421	-	-
Net adjustment for expenditure accruals	(1,340)	14,752	(397,873)
Encumbrances	(1,002,266)	(177,728)	(1,918,808)
To reclassify the net change in fund balance for funds combined with the General Fund	(40,565)	-	-
Budgetary basis	$ 4,006,870	$ (300,759)	$ (27,683)

City of Hudson, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2022

Note 5: Fund Balances

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

	General Fund	Street Construction Fund	Hudson Parks Fund	Street Sidewalk Construction	Downtown Phase II	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:							
Inventory	$ 33,495	$ 306,677	$ 5,645	$ -	$ -	$ 64,577	$ 410,394
Prepaid assets	164,725	18,415	6,221	-	-	22,066	211,427
Interfund loan receivable	1,669,278	-	-	-	-	-	1,669,278
Unclaimed funds	70,618	-	-	-	-	-	70,618
Principal trust	-	-	-	-	-	6,473	6,473
Total nonspendable	1,938,116	325,092	11,866	-	-	93,116	2,368,190
Restricted for:							
Streets and highways	-	1,303,817	-	-	-	264,988	1,568,805
Cemetery	-	-	-	-	-	404,469	404,469
Law enforcement and education	-	-	-	-	-	95,811	95,811
OneOhio Opioid	-	-	-	-	-	5,706	5,706
Debt service	-	-	-	-	-	255,657	255,657
Capital improvements	-	-	-	-	-	453,685	453,685
Total restricted	-	1,303,817	-	-	-	1,480,316	2,784,133
Committed to:							
Community and economic development	-	-	4,057,691	-	-	250,274	4,307,965
Fire District and EMS	-	-	-	-	-	7,359,437	7,359,437
Cemetery improvement	-	-	-	-	-	4,163	4,163
Storm sewer assessment	-	-	-	-	-	235,965	235,965
Tree trust	-	-	-	-	-	64,242	64,242
Playground trust	-	-	-	-	-	13,931	13,931
Poor endowment trust	-	-	-	-	-	40,213	40,213
Veterans memorial	-	-	-	-	-	16,708	16,708
Other purposes	-	-	-	-	-	8,866	8,866
Debt service	-	-	-	-	-	679,703	679,703
Street sidewalk construction	-	-	-	5,227,663	-	-	5,227,663
Capital improvements	-	-	-	-	-	1,716,705	1,716,705
Total committed	-	-	4,057,691	5,227,663	-	10,390,207	19,675,561
Assigned to:							
Purchases on order	798,557	-	-	-	-	-	798,557
2023 budget	2,150,289	-	-	-	-	-	2,150,289
Total assigned	2,948,846	-	-	-	-	-	2,948,846
Unassigned (deficit)	16,531,152	-	-	-	(9,573,380)	-	6,957,772
Total fund balances	$ 21,418,114	$ 1,628,909	$ 4,069,557	$ 5,227,663	$ (9,573,380)	$ 11,963,639	$ 34,734,502

Note 6: Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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

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

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

5. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances (for a period not to exceed 180 days) and commercial paper notes (for a period not to exceed 270 days) in an amount not to exceed 40% of the interim monies available for investment at any one time if training requirements have been met; and

Note 6: Deposits and Investments (continued)

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed 30 days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. 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 bank failure, the City's deposits may not be returned to it.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

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

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

At year-end, the carrying amount of the City's deposits was $3,133,830 and the bank balance was $3,625,032. At year-end, $989,852 of the City's total bank balance was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the City's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved by the Ohio Treasurer of State for a reduced collateral floor of 50% resulting in the uninsured and uncollateralized balance. At year-end, the City had $1,250 in cash on hand.

Note 6: Deposits and Investments (continued)

Investments

Investments are reported at fair value. As of December 31, 2022, the City had the following investments:

	Measurement Value	Maturities (in years) Less than 1	1 - 5
Common stock (donated)	$ 37,995	$ 37,995	$ -
Government agency obligations:			
U.S. Treasury securities	3,281,563	1,216,143	2,065,420
Federal Agricultures Mortgage	223,818	-	223,818
Federal Home Loan Mortgage	1,752,811	240,513	1,512,298
Federal Home Loan Banks	5,648,297	-	5,648,297
Federal National Mortgage Association	865,438	244,138	621,300
Federal Farm Credit Banks	2,229,921	-	2,229,921
Money market	192	192	-
Negotiable certifications of deposit	34,451,204	8,975,774	25,475,430
STAR Ohio	12,718,905	12,718,905	-
Series E bonds	2,987	2,987	-
Total portfolio	$ 61,213,131	$ 23,436,647	$ 37,776,484

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

The City has the following recurring fair value measurements as of December 31, 2022:

- Common stock is measured based on Level 1 inputs, using quoted prices in active markets.
- Government agency obligations, negotiable certifications of deposit and Series E bonds are measured based on Level 2 inputs, using a matrix or model pricing method.
- STAR Ohio is measured at amortized cost, Level 1.
- Money market is valued at amortized cost, which approximates fair value, Level 1.

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

At December 31, 2022, the average days to maturity was 31.9 for STAR Ohio.

Note 6: Deposits and Investments (continued)

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

Credit Risk is addressed by the City's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that the portfolio be diversified both by types of investment and issuer. The government agency obligations carry a rating of AA+ by Standard & Poor's or an Aaa by Moody. The negotiable certificates of deposit, money market, series E bonds and common stocks are unrated. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. STAR Ohio has a rating of AAAm by Standard & Poor's.

Concentration of Credit Risk is defined by the GASB as five percent or more in the securities of a single issuer. The City's investment policy requires diversification of the portfolio but does not indicate specific percentage allocations. The following is the City's allocation as of December 31, 2022:

Investment Issuer	Percentage of Investments
Common Stock (donated)	0.06%
Government agency obligations	22.87
Money market	0.00
Negotiable certifications of deposit	56.28
STAR Ohio	20.78
Series E Bonds	0.01
Total	100.00%

Note 7: Receivables

Receivables at December 31, 2022, consisted of taxes, accounts (billings for user charged services and fees), interfund, special assessments, accrued interest, leases and intergovernmental receivables arising from grants, entitlements, and shared revenues. All accounts, taxes, special assessments and intergovernmental receivables are deemed collectible in full.

A summary of intergovernmental receivables follows:

Governmental activities:	
Homestead and rollback	$ 227,134
Local government	322,221
State of Ohio	78,630
Grants	197,026
Franchise fees	73,223
Auto registration, licenses, and gasoline tax	694,740
Bureau of Workers' Compensation	4,695
Court fees	2,890
Total governmental activities	1,600,559

Note 7: Receivables (continued)

Business-type activities:	
Grants	468,016
Summit County	1,332,629
Total business-type activities	1,800,645
Total	$ 3,401,204

On November 30, 2016, the City entered into an agreement with Summit County (the "County") whereby the City transferred its sanitary sewer system to the County. The County assumed sole responsibility to build the necessary sewer improvements that the City was ordered to complete in Summit County Court of Common Pleas Case No. CV 92-10-3905. The County is required to cover the related debt payments associated with the 2012 sewer improvements refunded bonds carried by the City. The receivable balance above represents the prior year ending balance of the 2012 sewer improvement refunded bonds plus current year's interest. The debt shall be paid by the County in twenty annual installments beginning in 2016.

Lease receivables

The City has entered into various lease agreement for towers with telecommunications companies at varying years and terms. A summary of future lease revenues is as follows:

Governmental activities:

	Principal	Interest	Total
2023	$ 31,365	$ 2,408	$ 33,773
2024	31,470	2,303	33,773
2025	36,640	2,198	38,838
2026	36,762	2,076	38,838
2027	36,886	1,952	38,838
2028-2032	203,828	7,840	211,668
2033-2037	239,225	4,195	243,420
2038-2039	102,214	515	102,729
Total	$ 718,390	$ 23,487	$ 741,877

The City recognized lease revenue of $41,787 in 2022 related to lease payments received.

Note 7: Receivables (continued)

Lease receivables (continued)

Business-type activities:

	Principal	Interest	Total
2023	$ 27,452	$ 1,511	$ 28,963
2024	27,537	1,426	28,963
2025	27,622	1,341	28,963
2026	27,707	1,256	28,963
2027	27,792	1,171	28,963
2028-2032	162,107	4,429	166,536
2033-2037	189,757	1,759	191,516
Total	$ 489,974	$ 12,893	$ 502,867

The City recognized lease revenue of $32,197 in 2022 related to lease payments received.

Note 8: Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Real property taxes collected in 2022 are levied after October 1, 2021, on assessed value as of January 1, 2021, the lien date. Assessed values are established by state law at 35% of appraised market value. All property is required to be revalued every six years. Real property taxes collected in 2022 were intended to finance 2022 operations.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at varying percentages of true value. Public utility property taxes paid in 2022 that became a lien on December 31, 2021, are levied after October 1, 2021, and are collected in 2022 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2022, was $6.47 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2022 property tax receipts were based are as follows:

	Total Assessed Value
Real property valuation:	
Residential/agriculture	$ 976,926,150
Commercial/industrial/mineral	166,001,270
Public utilities	105,440
Tangible personal property valuation:	
Public utilities	20,143,000
Total valuation	$ 1,163,175,860

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.

Note 9: Income Tax

The City levies a municipal income tax of 2% on all gross salaries, wages, and other compensation, earned by the residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted 100% credit for taxes paid to other municipalities.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the RITA either monthly or quarterly as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, disbursement of the revenue received from income taxes is as follows: first, all expenses of collecting the tax and of administering and enforcing the income tax ordinance are paid. Then, the balance remaining after payment of the expenses is deposited in the General Fund for street construction, maintenance and repair, capital improvements, and general municipal operations, or such other fund or funds as Council may, from time to time, establish or designate. The City of Hudson voters approved an increase in the income tax rate from one percent to 2% effective January 1, 2005, with 15% of such additional 1% increase being designated for funding of the Fire Department; with 9% of such additional 1% increase being designated for funding of Emergency Medical Services; with 15% of such additional 1% increase being designated for funding of the Park System; and with 13.5% of such additional 1% increase being designated for community learning centers in the City, in cooperation with the Hudson City School District. Voters approved combining Fire/EMS 24% together in November 2018. For 2022, municipal income tax revenue was $31,960,617, which represents the City's portion net of amount due to Hudson City School District.

Note 10: Special Assessments

Special assessments include annually assessed service assessments. Service type special assessments are levied against all property owners who benefit from the provided service. Special assessments are payable by the time and in the manner stipulated in the assessing ordinance and are a lien from the date of the passage of the ordinance.

The City's special assessments include grass cutting which are billed and collected by the County Fiscal Officer. The County Fiscal Officer periodically remits these collections to the City. Special assessments collected in one calendar year are levied and certified in the preceding calendar year.

Note 11: Capital Assets

	Balance 1/1/22	Additions	Disposals	Balance 12/31/22
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 15,609,384	$ -	$ -	$ 15,609,384
Construction in progress	6,781,666	5,037,649	(5,549,167)	6,270,148
Total capital assets, not being depreciated	22,391,050	5,037,649	(5,549,167)	21,879,532
Capital assets, being depreciated:				
Buildings	19,462,822	924,939	-	20,387,761
Land improvements	6,283,713	256,681	-	6,540,394
Vehicles	8,801,351	198,306	(376,905)	8,622,752
Equipment, furniture and fixtures	6,717,553	540,584	(652,431)	6,605,706
Infrastructure:				
Roads	163,149,759	6,494,952	-	169,644,711
Sidewalks	3,871,388	2,344,319	-	6,215,707
Traffic signals	3,088,642	-	-	3,088,642
Total capital assets, being depreciated	211,375,228	10,759,781	(1,029,336)	221,105,673
Less accumulated depreciation:				
Buildings	(5,698,396)	(712,580)	-	(6,410,976)
Land improvements	(2,801,697)	(337,139)	-	(3,138,836)
Vehicles	(6,880,029)	(469,172)	333,708	(7,015,493)
Equipment, furniture and fixtures	(3,249,552)	(385,636)	464,704	(3,170,484)
Infrastructure:				
Roads	(94,362,386)	(5,723,234)	-	(100,085,620)
Sidewalks	(2,259,552)	(185,555)	-	(2,445,107)
Traffic signals	(2,399,389)	(78,095)	-	(2,477,484)
Total accumulated depreciation	(117,651,001)	(7,891,411)	798,412	(124,744,000)
Total capital assets, being depreciated, net	93,724,227	2,868,370	(230,924)	96,361,673
Right to use asset:				
Buildings	1,074,924	-	-	1,074,924
Less accumulated depreciation:				
Buildings	-	(214,985)	-	(214,985)
Total right to use asset	1,074,924	(214,985)	-	859,939
Governmental activities capital assets, net	$ 117,190,201	$ 7,691,034	$ (5,780,091)	$ 119,101,144

Note 11: Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

General government	$	907,618
Security of persons and property		353,514
Public health		33,633
Leisure time services		354,751
Community and economic development		10,595
Transportation		6,446,285
Total	$	8,106,396

Note 11: Capital Assets (continued)

	Balance 1/1/22	Additions	Disposals	Balance 12/31/22
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 2,767,192	$ -	$ -	$ 2,767,192
Construction in progress	523,208	3,517,253	(523,208)	3,517,253
Total capital assets, not being depreciated	3,290,400	3,517,253	(523,208)	6,284,445
Capital assets being depreciated:				
Buildings	5,714,704	-	-	5,714,704
Land improvements	2,325,358	-	-	2,325,358
Vehicles	1,100,678	365,000	(343,983)	1,121,695
Equipment, furniture and fixtures	4,085,016	172,802	(12,257)	4,245,561
Infrastructure:				
Water main lines	20,393,712	57,980	-	20,451,692
Storm water lines	6,234,120	741,393	-	6,975,513
Electric	12,734,039	353,591	-	13,087,630
Broadband	1,941,272	15,360	-	1,956,632
Total capital assets, being depreciated	54,528,899	1,706,126	(356,240)	55,878,785
Less accumulated depreciation:				
Buildings	(1,897,403)	(106,855)	-	(2,004,258)
Land improvements	(1,792,425)	(90,260)	-	(1,882,685)
Vehicles	(1,094,658)	(31,689)	343,983	(782,364)
Equipment, furniture and fixtures	(3,263,274)	(132,729)	12,257	(3,383,746)
Infrastructure:				
Water main lines	(9,381,696)	(430,668)	-	(9,812,364)
Storm sewer	(1,253,347)	(175,550)	-	(1,428,897)
Electric	(4,738,561)	(285,357)	-	(5,023,918)
Broadband	(626,712)	(125,763)	-	(752,475)
Total accumulated depreciation	(24,048,076)	(1,378,871)	356,240	(25,070,707)
Total capital assets, being depreciated, net	30,480,823	327,255	-	30,808,078
Right to use asset:				
Buildings	235,960	-	-	235,960
Equipment, furniture and fixtures	296,572	-	-	296,572
Total	532,532	-	-	532,532
Less accumulated depreciation:				
Buildings	-	(47,192)	-	(47,192)
Equipment, furniture and fixtures	-	(59,314)	-	(59,314)
Total	-	(106,506)	-	(106,506)
Total right to use asset	532,532	(106,506)	-	426,026
Business-type activities capital assets, net	$ 34,303,755	$ 3,738,002	$ (523,208)	$ 37,518,549

Note 12: Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City has joined together with other neighboring cities to form the Northern Ohio Risk Management Association (NORMA), a not-for-profit corporation, for the purpose of obtaining property, liability, and vehicle insurance and providing for a formalized, jointly administered Self-Insurance Fund. The City pays an annual premium to NORMA for its insurance coverage. The agreement for formation of NORMA provides that NORMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of limits described in the agreement. There has not been a significant reduction is coverage from the prior year and claims have not exceeded coverage provided by NORMA in any of the last three years.

During 2022, the City contracted its medical insurance through a fully insured plan offered by Medical Mutual of Ohio.

In addition, the City has established a Health Care Self-Insurance Fund. The purpose of this fund is to pay dental and vision claims of the City's employees and their covered dependents in order to minimize the total cost of annual health care insurance. The City has contracted with a third-party administrator to direct this program. The third-party administrator evaluates and settles all claims from the City and administers the plans. As December 31, 2022, management believes any liability related to these claims to be insignificant.

Note 13: Short-Term Obligations

Changes in the City's note activity for the year ended December 31, 2022, were as follows:

	Balance 12/31/21	Additions	Reductions	Balance 12/31/22
Governmental activities:				
2022 Capital facilities bond anticipation notes – 4.5%	$ -	$ 7,720,000	$ -	$ 7,720,000
Premium on 2022 notes	-	127,612	-	127,612
2021 Various purpose bond anticipation notes – 1.0%	8,575,000	-	(8,575,000)	-
Premium on 2021 notes	57,367	-	(57,367)	-
Total governmental activities – short-term obligations	$ 8,632,367	$ 7,847,612	$ (8,632,367)	$ 7,847,612
Business-type activities:				
2021 Various purpose bond anticipation notes – 1.0%	$ 1,000,000	$ -	$ (1,000,000)	$ -
Premium on 2021 notes	6,690	-	(6,690)	-
Total business-type activities – short-term obligations	$ 1,006,690	$ -	$ (1,006,690)	$ -

Note 13: Short-Term Obligations (continued)

On December 15, 2021, the City issued $9,575,000 in various purpose bond anticipation notes at an annual interest rate of 1.0% that will mature on December 15, 2022. The proceeds were used to improve City owned property located at 5810 Hudson Drive as well as improve the City's electric system.

On December 14, 2022, the City issued $7,720,000 in various purpose bond anticipation notes at an annual interest rate of 4.5% that will mature on December 14, 2023. The proceeds were used to improve City owned property located at 5810 Hudson Drive.

The notes are backed by the full faith and credit of the City and mature within one year. The liability is reflected in the funds which received the proceeds. By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50% of anticipated revenue collections. There are limitations on the number of times a note can be renewed.

Note 14: Long-term Obligations

The original issue date, interest rates, and original issuance amount for each of the City's bonds follows:

Debt Issue	Original Issuance Year	Maturity Year	Interest Rates	Original Issuance Amount
Governmental Activities:				
General Obligation Bonds:				
2011 Community Center Expansion G.O. Bond Refunded	2011	2023	2.25% - 2.50%	175,000
2011 Police Facility Construction G.O. Bond Refunded	2011	2023	2.25% - 2.50%	2,120,000
2011 Road Improvement G.O. Bond Refunded	2011	2023	2.25% - 2.50%	640,000
2011 Street Improvement – Seasons Road G.O. Bond	2011	2031	3.00% - 4.00%	1,175,000
2011 Street Improvement – Atterbury Boulevard G.O. Bond	2011	2031	3.00% - 4.00%	3,770,000
2012 Milford/RT 91 Construction G.O. Bond Refunded	2012	2024	1.75% - 2.00%	2,305,000
2012 Capital Facilities G.O. Bond	2012	2032	1.75% - 2.50%	4,735,000
2013 Street Improvement G.O. Bond	2013	2023	2.25% - 2.50%	5,000,000
2018 Various Purpose G.O. Bond	2018	2038	3.00% - 3.25%	8,155,000
2020 Various Purpose G.O. Bond	2020	2040	1.00% - 4.00%	965,000
2022 Various Purpose G.O. Bond	2022	2042	3.00% - 4.00%	6,150,000
OPWC Loan	2009	2030	0.00%	143,714
Business Type Activities:				
General Obligation Bonds:				
2011 Substation Construction G.O. Bond Refunded	2011	2023	2.25% - 2.50%	1,190,000
2011 Water System Improvement G.O. Bond Refunded	2011	2033	2.25% - 3.50%	3,210,000
2011 Storm Water Improvement G.O. Bond Refunded	2011	2023	2.25% - 2.50%	580,000
2011 Golf Course Improvement G.O. Bond Refunded	2011	2023	2.25% - 2.50%	875,000
2012 Water System Improvement G.O. Bond Refunded	2012	2035	1.75% - 3.00%	604,000
2012 Sewer Improvement Refunded	2012	2034	1.75% - 3.00%	623,000
2012 Sewer Improvement Refunded	2012	2035	1.75% - 3.00%	1,114,000
2012 Electric Issue Refunded	2012	2034	1.75% - 3.00%	722,000
2012 Storm Water Improvement Refunded	2012	2035	1.75% - 3.00%	2,182,000

Note 14: Long-term Obligations (continued)

Debt Issue	Original Issuance Year	Maturity Year	Interest Rates	Original Issuance Amount
Business Type Activities (continued):				
General Obligation Bonds (continued):				
2018 Various Purpose G.O. Bond	2018	2038	3.00% - 3.25%	820,000
2020 Various Purpose G.O. Bond	2020	2040	1.00% - 4.00%	2,590,000
2022 Various Purpose G.O. Bond	2022	2044	3.00% - 4.00%	2,685,000

The changes in the City's long-term obligations during the year consist of the following:

	Balance 1/1/22	Additions	Retirements	Balance 12/31/22	Amount Due in One Year
Governmental activities:					
General Obligation Bonds:					
2011 Community Center Expansion Refunded	$ 50,000	$ -	$ (25,000)	$ 25,000	$ 25,000
2011 Police Facility Construction Refunded	545,000	-	(270,000)	275,000	275,000
2011 Road Improvement Refunded	160,000	-	(80,000)	80,000	80,000
2011 Street Improvement – Seasons Road	665,000	-	(55,000)	610,000	60,000
2011 Street Improvement – Atterbury Boulevard	2,140,000	-	(185,000)	1,955,000	190,000
2012 Milford/Rt. 91 Construction Refunded	891,000	-	(293,000)	598,000	297,000
2012 Capital Facilities	2,820,000	-	(230,000)	2,590,000	235,000
2013 Street Improvement	1,080,000	-	(535,000)	545,000	545,000
2018 Various Purpose	7,155,000	-	(345,000)	6,810,000	350,000
2020 Various Purpose	925,000	-	(40,000)	885,000	45,000
2022 Various Purpose	-	6,150,000	-	6,150,000	20,000
Premium on General Obligation Bonds	236,439	78,994	(24,206)	291,227	-
Total General Obligation Bonds	16,667,439	6,228,994	(2,082,206)	20,814,227	2,122,000
Ohio Public Works Commission Loan:					
2009 Atterbury Boulevard Renovations*	64,668	-	(7,186)	57,482	7,186
Other Long-Term Obligations:					
Compensated absences	2,367,620	1,443,207	(1,542,755)	2,268,072	1,354,354
Finance purchase*	483,015	-	(170,329)	312,686	125,606
Lease payable*	1,074,924	-	(180,553)	894,371	198,192
Net pension liability	13,733,017	-	(3,414,634)	10,318,383	-
Net OPEB liability	975,881	48,562	-	1,024,443	-
Total governmental activities – long-term obligations	$ 35,366,564	$ 7,720,763	$ (7,397,663)	$ 35,689,664	$ 3,807,338

* Long-term obligation is a direct placement.

Note 14: Long-term Obligations (continued)

	Balance 1/1/22	Additions	Retirements	Balance 12/31/22	Amount Due in One Year
Business-type activities:					
General Obligation Bonds:					
2011 Substation Construction Refunded	$ 300,000	$ -	$ (150,000)	$ 150,000	$ 150,000
2011 Water System Improvement Refunded	2,255,000	-	(160,000)	2,095,000	160,000
2011 Storm Water Improvement Refunded	150,000	-	(75,000)	75,000	75,000
2011 Golf Course Improvement Refunded	230,000	-	(115,000)	115,000	115,000
2012 Water System Improvement Refunded	451,000	-	(27,000)	424,000	29,000
2012 Sewer Improvement Refunded	471,000	-	(31,000)	440,000	31,000
2012 Sewer Improvement Refunded	830,000	-	(50,000)	780,000	54,000
2012 Electric Issue Refunded	548,000	-	(36,000)	512,000	37,000
2012 Storm Water Improvement Refunded	1,629,000	-	(98,000)	1,531,000	107,000
2018 Various Purpose	720,000	-	(35,000)	685,000	35,000
2020 Various Purpose	2,485,000	-	(110,000)	2,375,000	115,000
2020 Capital Facilities	3,770,000	-	(170,000)	3,600,000	170,000
2022 Various Purpose	-	2,685,000	-	2,685,000	10,000
Premium on General Obligation Bonds	154,920	34,380	(11,825)	177,475	-
Total General Obligation Bonds	13,993,920	2,719,380	(1,068,825)	15,644,475	1,088,000
Other Long-Term Obligations:					
Asset retirement obligation	38,212	3,004	-	41,216	-
AMP Ohio payable	5,224	272	-	5,496	5,496
Lease payable*	532,532	-	(105,784)	426,748	96,357
Compensated absences	1,393,096	708,788	(826,136)	1,275,748	774,463
Net pension liability	4,013,720	-	(1,601,786)	2,411,934	-
Total business-type activities long-term obligations	$ 19,976,704	$ 3,431,444	$ (3,602,531)	$ 19,805,617	$ 1,964,316

The business-type activities general obligation bonds will be paid with electric, wastewater, broadband, water service charges, and golf course revenues. The AMP Ohio payable will be paid from the Electric Fund, see Note 21. Governmental activities general obligation bonds will be paid from property taxes receipted in the debt service funds. Compensated absences and pension/OPEB amounts will be paid from the funds from which the employees' salaries are paid. Financed purchases will be paid from the General and Street Construction and Maintenance Funds. Lease payable will be paid from the General Fund, Equipment Reserve Internal Service Fund, Water Fund, Storm Sewer Fund and the Golf Course Fund, see Note 15.

During 2009, the City entered into an agreement with Ohio Public Works Commission (OPWC) for a loan in the amount of $143,714, payable in semi-annual payments of $3,593 at zero percent interest for 20 years. This loan will be repaid from income tax monies.

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

Note 14: Long-term Obligations (continued)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2022 are as follows:

Governmental Activities

Year ending December 31,	General Obligation		OPWC*
	Principal	Interest	Principal
2023	$ 2,122,000	$ 626,528	$ 7,186
2024	1,436,000	580,333	7,186
2025	1,165,000	539,863	7,186
2026	1,200,000	505,863	7,186
2027	1,230,000	470,763	7,186
2028-2032	6,395,000	1,778,213	21,552
2033-2037	4,420,000	917,338	-
2038-2042	2,555,000	267,018	-
Total	$ 20,523,000	$ 5,685,915	$ 57,482

Year ending December 31,	Financed Purchase	
	Principal	Interest
2023	$ 125,606	$ 11,453
2024	110,007	8,153
2025	77,073	3,645
Total	$ 312,686	$ 23,251

Business-Type Activities

Year ending December 31,	General Obligation	
	Principal	Interest
2023	$ 1,088,000	$ 388,722
2024	854,000	365,178
2025	870,000	341,698
2026	905,000	321,348
2027	910,000	298,888
2028-2032	4,985,000	1,165,785
2033-2037	3,790,000	555,235
2038-2042	2,065,000	157,845
Total	$ 15,467,000	$ 3,594,699

* Long-term obligation is a direct placement.

Note 15: Lease Obligations

The City entered into contracts for the use of office and warehouse space and golf carts. The leases require monthly payments. The contracts meet the definition of a lease under GASB Statement No. 87. A summary of the principal and interest amounts for the remaining leases are as follows:

	Governmental Activities	
	Principal	Interest
2023	$ 198,192	$ 36,193
2024	214,475	26,940
2025	231,721	16,936
2026	249,983	6,136
Total	$ 894,371	$ 86,205

	Business-Type Activities	
	Principal	Interest
2023	$ 96,357	$ 21,243
2024	102,982	16,162
2025	109,994	10,740
2026	117,415	4,955
Total	$ 426,748	$ 53,100

Note 16: Defined Benefit Pension Plans

A. Net Pension/Other Post-Employment (OPEB) Liability (Asset)

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

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

Note 16: Defined Benefit Pension Plans (continued)

A. Net Pension/Other Post-Employment (OPEB) Liability (Asset) (continued)

GASB 68 and 75 assumes the liability (asset) 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). The retirement systems may allocate a portion of the employer contributions to provide for OPEB benefits including primarily health care. In most cases, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium.

State statute requires the retirement systems to amortize unfunded pension/OPEB liabilities within 30 years. If the pension/OPEB amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability on the accrual basis of accounting. Funded benefits is presented as a long-term net pension/OPEB asset. Any liability for the contractually-required contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 17 for the required OPEB disclosures.

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

Plan Description – City employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: the traditional pension plan, defined benefit plan; the combined plan, a hybrid defined benefit/defined contribution plan; and the member-directed plan, a defined contribution plan. Effective January 1, 2022 the combined plan is no longer available for member selection. While members (e.g., City employees) may elect the member-directed plan, substantially all employee members are in OPERS' traditional or combined plans; therefore, the following disclosure focuses on the traditional and combined plans.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Note 16: Defined Benefit Pension Plans (continued)

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

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. Final average salary (FAS) represents the average of the three highest years of earnings over the member's career for Groups A and B. Group C is based on the average of the five highest years of earning over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

The traditional plan is a defined benefit plan in which a member's retirement benefits are calculated on a formula that considers years of service and FAS. Pension benefits are funded by both member and employer contributions and investment earnings on those contributions. The following table provides age and service requirements for retirement and the retirement formula applied to the FAS for the three member groups under the traditional plan (see OPERS ACFR referenced above for additional information):

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

When a benefit recipient retiring under the traditional pension plan has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided on the member's base benefit. 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 on or after 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%.

Additionally, a death benefit of $500-$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the traditional pension plan.

The combined plan is a hybrid defined benefit/defined contribution plan. Members earn a formula benefit similar to, but at a factor less than the traditional pension plan benefit. This defined benefit is funded by employer contributions and associated investment earnings. Member contributions are deposited into a defined contribution account in which the member self-directs the investment. Upon retirement, the member may choose a defined contribution distribution that is equal to the member's contributions to the plan and investment earnings (or losses). Members may also elect to use their defined contribution account balances to purchase a defined benefit annuity administered by OPERS. Effective January 1, 2022, members may no longer select this plan.

Note 16: Defined Benefit Pension Plans (continued)

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

Benefits in the combined plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the combined plan is the same as the traditional pension plan.

Members retiring under the combined plan receive a 3% COLA on the defined benefit portion of their benefit. 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 on or after 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%.

Additionally, a death benefit of $500 – $2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the combined plan.

The subsequent table provides age and service requirements for retirement and the retirement formula applied to the FAS for the three member groups under the combined plan (see OPERS ACFR 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 Age and Service Requirements: Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	**State and Local Age and Service Requirements:** Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	**State and Local Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Formula:** 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Formula:** 1.0% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS Board. Both member-directed plan and combined plan members who have met the eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans.

Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year.

Note 16: Defined Benefit Pension Plans (continued)

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

At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of their benefit account (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance (net of taxes withheld), or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10% of covered payroll for members in the state and local classifications.

The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 0% for 2022 for the traditional plan. For the combined plan, the portion of the employer contributions allocated to healthcare was 0% from January 1, 2022 to June 30, 2022 and 2% from July 1, 2022 to December 31, 2022. The portion of the employer contributions allocated to health care for members in the member-directed plan was 4% for 2022. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution for the traditional plan, net of postemployment health care benefits, for 2022 was $1,660,004. The contractually required contribution for the combined plan, net of postemployment health care benefits, for 2022 was $74,924. For the 2022 amounts, $181,343 is related to pension and OPEB and is reported as intergovernmental payable at December 31, 2022.

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

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

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

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.

Note 16: Defined Benefit Pension Plans (continued)

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

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 (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3% percent of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3% or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 19.5% of covered payroll for police employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 12.25% of covered payroll for police. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 0.5% for 2022. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

In 2022, the City's contractually required contribution, net of postemployment health care benefits, was $510,226. Of this amount, $65,273 is reported as intergovernmental payable at December 31, 2022.

Note 16: Defined Benefit Pension Plans (continued)

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

The net pension liability (asset) for OPERS was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 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 (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

		OPERS Traditional		OPERS Combined		OP&F		Total
Proportion of the net pension liability/asset prior measurement date		0.077444%		0.124856%		0.092106%		
Proportion of the net pension liability/asset current measurement date		0.079206%		0.127440%		0.093464%		
Change in proportionate share		0.001762%		0.002584%		0.001358%		
Proportionate share of the net pension liability	$	6,891,241	$	-	$	5,839,076	$	12,730,317
Proportionate share of the net pension asset	$	-	$	502,121	$	-	$	502,121
Pension expense (reduction of expense)	$	(999,153)	$	(23,356)	$	313,367	$	(709,142)

The 2022 pension expense for the member-directed defined contribution plan was $53,065. The aggregate pension expense for all pension plans was $(656,077) for 2022.

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

		OPERS Traditional		OPERS Combined		OP&F		Total
Deferred outflow of resources								
City contributions subsequent to the measurement date	$	1,660,004	$	74,924	$	510,226	$	2,245,154
Differences in employer contributions and change in proportionate share		252,959		-		260,934		513,893
Difference between expected and actual experience		351,305		3,115		168,365		522,785
Change in assumptions		861,746		25,233		1,067,133		1,954,112
Total deferred outflow of resources	$	3,126,014	$	103,272	$	2,006,658	$	5,235,944

Note 16: Defined Benefit Pension Plans (continued)

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

	OPERS Traditional	OPERS Combined	OP&F	Total
Deferred inflow of resources				
Differences in employer contributions and change in proportionate share	$ -	$ -	$ 275,681	$ 275,681
Net difference between projected and actual earnings on pension plan investments	8,196,881	107,647	1,530,916	9,835,444
Difference between expected and actual experience	151,142	56,160	303,552	510,854
Total deferred inflow of resources	$ 8,348,023	$ 163,807	$ 2,110,149	$ 10,621,979

The $2,245,154 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 Traditional	OPERS Combined	OP&F	Total
Fiscal Year Ending December 31:				
2023	$ (895,346)	$ (32,996)	$ (44,892)	$ (973,234)
2024	(2,755,319)	(45,615)	(393,090)	(3,194,024)
2025	(1,927,419)	(29,920)	(172,695)	(2,130,034)
2026	(1,303,929)	(22,118)	(129,581)	(1,455,628)
2027	-	(2,930)	126,541	123,611
2028-2030	-	(1,880)	-	(1,880)
	$ (6,882,013)	$ (135,459)	$ (613,717)	$ (7,631,189)

E. Actuarial Assumptions - OPERS

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

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The active member population which consists of members in the Traditional and Combined plans is assumed to remain constant. For purposes of financing the unfunded actuarial accrued liabilities, total payroll is assumed to grow at the wage inflation rate indicated below.

Note 16: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS (continued)

Key methods and assumptions used in valuation of total pension liability/asset - 2021

	OPERS Traditional Plan	OPERS Combined Plan
Valuation date	December 31, 2021	December 31, 2021
Experience study	5-year period ended December 31, 2020	5-year period ended December 31, 2020
Actuarial cost method	Individual entry age	Individual entry age
Actuarial assumptions:		
Investment rate of return	6.90%	6.90%
Wage inflation	2.75%	2.75%
Projected salary increases, including 2.75% wage inflation	2.75 to 10.75%	2.75 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 retirees	3.00% Simple	3.00% Simple
Post-Jan 7, 2013 retirees	3.00% Simple through 2022 then 2.05% Simple	3.00% Simple though 2022 then 2.05% Simple

OPERS conducts an experience study every five years in accordance with Ohio Revised Code Section 145.22. The study for the five-year period ended December 31, 2020 and methods and assumptions were approved and adopted by the OPERS Board of Trustees.

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

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

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the traditional plan, the defined benefit component of the combined plan and the annuitized accounts of the member-directed plan. The money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for changing amounts actually invested for the Defined Benefit portfolio was a gain of 15.3% for 2021.

Note 16: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS (continued)

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	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
Risky 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 for measurement year 2021 was 6.9%. 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, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 16: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS (continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 6.9%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.9%) or one-percentage-point higher (7.9%) than the current rate:

	1% Decrease (5.9%)	Discount Rate (6.9%)	1% Increase (7.9%)
City's proportionate share of the net pension liability (asset) – traditional	$ 18,169,064	$ 6,891,241	$ (2,493,405)
City's proportionate share of the net pension asset – combined	$ 374,674	$ 502,121	$ 601,517

F. Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2021 is based on the results of an actuarial valuation date of January 1, 2021, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered are: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

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

Actuarial cost method	Entry age normal
Investment rate of return	7.50%
Projected salary increases	3.75% - 10.50%
Payroll growth	3.25% per annum, compounded annually, consisting of inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of living adjustments	2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

Note 16: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (continued)

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

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

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
59 or less	35%
60-69	60%
70-79	75%
80 and up	100%

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

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

Note 16: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (continued)

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and cash equivalents	0.0%	0.0%
Domestic equity	21.0	3.6
International equity	14.0	4.4
Private markets	8.0	6.8
Core fixed income*	23.0	1.1
High yield fixed income	7.0	3.0
Private credit	5.0	4.5
U.S. inflation linked bonds*	17.0	0.8
Midstream energy infrastructure	5.0	5.0
Real assets	8.0	5.9
Gold	5.0	2.4
Private real estate	12.0	4.8
Total	125.0%	

Note: Assumptions are geometric.
*Levered 2.5x

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 7.50%. 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 16: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (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 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	$ 8,659,271	$ 5,839,076	$ 3,490,553

Note 17: Defined Benefit, Postemployment Benefits Other Than Pensions

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

Plan Description – OPERS administers three separate pension plans: the traditional pension plan, a defined benefit plan; the combined plan, a hybrid defined benefit/defined contribution plan; and the member-directed plan, a defined contribution plan. Effective January 1, 2022 the combined plan is no longer available for member selection. While members (e.g. City employees) may elect the member-directed plan, substantially all employee members are in OPERS's traditional or combined plans; therefore, the following disclosure focuses on the traditional and combined plans.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans.

Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Note 17: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

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

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

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

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

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

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

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

Funding Policy – The Ohio Revised Code provides the statutory authority 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.

Note 17: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

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

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. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of the employer's contributions allocated to health care was 0% for 2022 for the traditional plan. For the combined plan, the portion of the employer contributions allocated to healthcare was 0% from January 1, 2022 to June 30, 2022 and 2% from July 1, 2022 to December 31, 2022. The portion of the employer contributions allocated to health care for members in the Member Directed plan was 4% for 2022. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. In 2022, the City's contractually required contribution for postemployment health care benefits was $28,403.

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

Plan Description – the City's full-time police participate in the OP&F sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

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

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

Note 17: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

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

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

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

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

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

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

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

The City's contractually required contribution to OP&F was $13,427 for 2022. Of this amount, $1,674 is reported as intergovernmental payable at December 31, 2022.

C. OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB asset for OPERS as of December 31, 2022 was measured as of December 31, 2021. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020 and 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. The City's proportion of the net OPEB asset was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating entities.

Note 17: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

C. OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

OP&F's total OPEB liability was measured as of December 31, 2021, and was determined by rolling forward the total OPEB liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS	OP&F	Total
Proportion of the net OPEB liability/asset prior measurement date	0.078607%	0.092106%	
Proportion of the net OPEB liability/asset current measurement date	0.080108%	0.093464%	
Change in proportionate share	0.001501%	0.001358%	
Proportionate share of the net OPEB liability	$ -	$ 1,024,443	$ 1,024,443
Proportionate share of the net OPEB asset	$ 2,509,106	$ -	$ 2,509,106
(Reduction of) OPEB expense	$ (2,132,579)	$ 52,508	$ (2,080,071)

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 outflow of resources			
City contributions subsequent to the measurement date	$ 28,403	$ 13,427	$ 41,830
Differences in employer contributions and change in proportionate share	36,312	124,396	160,708
Net difference between projected and actual earnings on OPEB plan investments	-	46,603	46,603
Change in assumptions	-	453,450	453,450
Total deferred outflow of resources	$ 64,715	$ 637,876	$ 702,591

Note 17: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

C. OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

Deferred inflow of resources			
Differences in employer contributions and change in proportionate share	$ -	$ 219,056	$ 219,056
Net difference between projected and actual earnings on OPEB plan investments	1,196,166	92,541	1,288,707
Difference between expected and actual experience	380,593	135,395	515,988
Change in assumptions	1,015,657	118,983	1,134,640
Total deferred inflow of resources	$ 2,592,416	$ 565,975	$ 3,158,391

The $41,830 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 total OPEB liability in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Fiscal Year Ending December 31:			
2023	$ (1,574,864)	$ 10,897	$ (1,563,967)
2024	(548,096)	(2,842)	(550,938)
2025	(261,356)	(3,105)	(264,461)
2026	(171,788)	8,056	(163,732)
2027	-	23,113	23,113
2028-2029	-	22,355	22,355
	$ (2,556,104)	$ 58,474	$ (2,497,630)

D. Actuarial Assumptions - OPERS

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

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

Note 17: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

D. Actuarial Assumptions – OPERS (continued)

	Assumptions
Valuation date	December 31, 2020
Rolled-forward measurement date	December 31, 2021
Experience study	5-year period ended December 31, 2020
Actuarial cost method	Individual entry age normal
Projected salary increases, including 2.75% wage inflation	2.75 to 10.75%
Investment rate of return	6.00%
Municipal bond rate	1.84%
Single discount rate of return	6.00%
Health care cost trend	Initial 5.50% to 3.50% ultimate in 2034

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

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional pension plan, Combined plan and Member-Directed plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and 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 14.30% for 2021.

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

Note 17: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

D. Actuarial Assumptions – OPERS (continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	34.00%	0.91%
Domestic equities	25.00	3.78
Real estate	7.00	3.71
International equities	25.00	4.88
Risk parity	2.00	2.92
Other investments	7.00	1.93
Total	100.00%	3.45%

Discount Rate A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 1.84% for the measurement date of December 31, 2021. 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 the year 2121. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00%, as well as what the City's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.00%) or one-percentage-point higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
City's proportionate share of the net OPEB asset	$ 1,475,589	$ 2,509,106	$ 3,366,939

Note 17: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

D. Actuarial Assumptions – OPERS (continued)

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	Cost Trend Rate	1% Increase
City's proportionate share of the net OPEB asset	$ 2,536,219	$ 2,509,106	$ 2,476,939

Assumption Changes Since the Prior Measurement Date Municipal bond rate changed from 2.00% to 1.84%. The health care cost trend rate changed from 8.50% initial, 3.50%, ultimate in 2035 to 5.50% initial, 3.50% ultimate in 2034.

E. Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Note 17: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

E. Actuarial Assumptions – OP&F (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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

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

Actuarial cost method	Entry age normal
Investment rate of return	7.50%
Salary increases	3.75% – 10.50%
Payroll growth	3.25%
Municipal bond index rate	
Prior measurement date	2.12%
Current measurement date	2.05%
Single equivalent interest rate, net of plan investment expense, including price inflation	
Prior measurement date	2.96%
Current measurement date	2.84%

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
67 or less	77%
68-77	105%
78 and up	115%

Note 17: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

E. Actuarial Assumptions – OP&F (continued)

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
59 or less	35%
60-69	60%
70-79	75%
80 and up	100%

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2021, are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and cash equivalents	0.0%	0.0%
Domestic equity	21.0	3.6
International equity	14.0	4.4
Private markets	8.0	6.8
Core fixed income*	23.0	1.1
High yield fixed income	7.0	3.0
Private credit	5.0	4.5
U.S. inflation linked bonds*	17.0	0.8
Midstream energy infrastructure	5.0	5.0
Real assets	8.0	5.9
Gold	5.0	2.4
Private real estate	12.0	4.8
Total	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 the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

Note 17: Defined Benefit, Postemployment Benefits Other Than Pensions (continued)

E. Actuarial Assumptions – OP&F (continued)

Discount Rate For 2021, the 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 contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 7.50%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.05% at December 31, 2021 and 2.12% at December 31, 2020 was blended with the long-term rate of 7.50%, which resulted in a blended discount rate of 2.84% for 2021. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, and the municipal bond rate was applied to all health care costs after that date.

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

	1% Decrease (1.84%)	Discount Rate (2.84%)	1% Increase (3.84%)
City's proportionate share of the net OPEB liability	$ 1,287,748	$ 1,024,443	$ 808,007

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

Note 18: Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Full-time employees earn and accumulate varying hours of vacation per year, depending upon length of service. Maximum vacation accumulations range from 240 to 360 hours, depending upon length of service. All accumulated unused vacation time is paid upon termination of employment.

Note 18: Compensated Absences (continued)

Employees earn sick leave at the rate of 10 hours per each month of service. Sick leave may be accumulated to a maximum of 1,440 hours. After the maximum accumulation of 1,440 hours, each employee must elect, in writing each year, one of the following options for sick leave time accumulated in excess of the 1,440 hours:

1. In 40 sick leave hour increments, to have that time converted to vacation at the ratio of 40 hours of sick leave to eight hours of vacation; or

2. To be paid for the excess 40 hours accumulated at the employee’s current rate of pay. This may be paid only once each year and no further sick leave will be accumulated during that year, unless the total number of hours accumulated is less than 1,440 hours.

Upon resignation, retirement or death, an employee with 10 or more years of service with the City is eligible for a severance payment for his/her accumulated but unused sick leave, but the maximum payment shall not exceed 1,440 hours. Such payment shall be based on the employee’s rate of pay at the time of resignation, retirement or death. Individuals who were regular full-time employees as of December 31, 2000, accrue sick leave at a one-for-one cash-out rate up to the next 500, 1,000, or 1,440 hour level – based on their respective aggregate sick leave levels at December 31, 2000. All remaining sick leave hours will be accrued subject to one-for-three cash-out rate, up to an aggregate maximum of 1,440 hours. Employees who dip below their maximum one-for-one cash-out levels can replenish those one-for-one levels with earned sick leave. All regular full-time employees hired after January 1, 2001, will accrue all sick leave up to a maximum of 1,440 hours subject to a one-for-three cash-out rate.

Note 19: Contingencies

A. Grants

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

B. Litigation

From time to time, the City is subject to claims and lawsuits (personal injuries, claims from developers, etc.). The amount of liability, if any, cannot be reasonably estimated at this time. However, it is our intent to defend any such claims and lawsuits, and in our opinion we do not believe they would have a material effect on the overall financial position of the City at December 31, 2022.

Note 19: Contingencies (continued)

C. Contingent Liabilities

The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share was 6,000 kilowatts of a total 771,281 kilowatts, giving the City a 0.78% share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred.

As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The City's estimated share at March 31, 2014 of the impaired costs was $1,038,626. The City received a credit of $378,804 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of $271,349 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of $388,473. Because payment is probable and reasonably estimable, the City is reporting a payable to AMP in its business-type activities and in its Electric Fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the City's liability. These amounts will be recorded as they become estimable. Since March 31, 2014 the City has made payments of $400,137 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the City's allocation of additional costs incurred by the project is $12,933 and interest expense incurred on AMP's line-of-credit of $4,227, resulting in a net impaired cost payable estimate at December 31, 2022 of $5,496.

Note 20: Interfund Transactions

Interfund receivable/payable for the year ended December 31, 2022, consisted of the following:

	Receivable General Fund
Payable:	
Downtown Phase II Fund	$ 1,666,916
Electric Fund	58,424
Total	$ 1,725,340

From the amounts above, the following are in the form of internal debt owed, plus accrued interest, to the General Fund:

Downtown Phase II	$ 1,666,916

The internal debt noted above matures on December 15, 2023 and carries an interest rate of 2.80%.

Note 20: Interfund Transactions (continued)

Long-term interfund loans are classified as "Advances to/from other funds" and consist of the following at December 31, 2022:

	Receivable General Fund
Payable:	
Street Sidewalk Construction Fund	$ 155,000
Downtown Phase II Fund	615,000
Nonmajor Governmental	76,000
Electric Fund	43,820
Strom Sewer Fund	80,350
Nonmajor Enterprise	699,108
Total	$ 1,669,278

As of December 31, 2022, interfund cash transfers were as follows:

	Transfers – out			
	General	Hudson Parks	Nonmajor Governmental	Total
Transfers – in:				
Street Construction	$ 2,500,000	$ -	$ -	$ 2,500,000
Street Sidewalk Construction	2,791,500	-	-	2,791,500
Nonmajor Governmental	2,448,805	-	200,000	2,648,805
Storm Sewer	3,000,000	-	-	3,000,000
Nonmajor Enterprise	-	120,463	-	120,463
Total	$ 10,740,305	$ 120,463	$ 200,000	$ 11,060,768

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 and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; and to provide additional resources for current operations or debt service. There were transfers from the nonmajor governmental funds. One transfer from nonmajor governmental funds for $200,000 was a transfer from the Fire District Special Revenue Fund to the Fire Capital Replacement Capital Projects Fund, which was proper in accordance with Ohio Revised Code (ORC) 5705.13(C). The Hudson parks transfer was to provide resources for debt payments.

During 2022, contribution of capital assets of $315,360 from the governmental activities to the business-type activities are reported as transfers in the Statement of Activities.

Note 21: Joint Venture

Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5)

The City is a Financing Participant with an ownership percentage of 5.69%, and shares participation with 42 other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (the "Agreement"), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Also pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (the "Certificates") from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2022, the City has met its debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued $153,415,000 and $13,899,981 respectively of 30-year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of $56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of $116,910,000, which resulted in a savings to the membership of $34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was $65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates (the "2016 Certificates") in the amount of $49,745,000 for the purpose of refunding the promissory note to AMP in full.

Note 21: Joint Venture (continued)

Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5) (continued)

The outstanding amount on the promissory note had been reduced to $49,243,377 at the time of refunding as compared to its value at December 31, 2015 of $49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's Electric Fund. The City's net investment to date in OMEGA JV5 is $170,011 at December 31, 2022. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

Note 22: Shared Risk Pool and Jointly Governed Organization

NORMA

NORMA is a shared risk pool comprised of various cities. NORMA was formed to enable its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered Self-Insurance Fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a Board of Trustees that consists of the mayor from each of the participating members.

Each entity must remain a member for at least three years from their commencement date. After the initial three years, each City may extend its term in three-year increments. Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first $1,000 to $2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of $100,000 per occurrence, will come from the self-insurance pool with any excess paid from the stop-loss coverage carried by the pool. Any losses over these amounts would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 2022, the City paid $200,293 for premiums. Financial information can be obtained by contacting the fiscal agent at the City of Highland Heights, 5827 Highland Road, Highland Heights, Ohio, 44143.

RITA

RITA is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection of income taxes on behalf of each member. RITA currently has approximately 374 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. Financial information can be obtained by contacting RITA at 10107 Brecksville Road, Brecksville, Ohio 44141.

Note 23: Accountability

There is a deficit in the governmental Downtown Phase II Fund of $9,573,380 and in the business-type Broadband Fund for $1,864,964. These deficits were caused by the application of accounting principles generally accepted in the United States of America. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Note 24: Significant Commitments

A. Sale of Property

In April 2018, the City agreed to sell a parcel of property for $1,500,000 under a land installment contract. Per terms of the agreement, the buyer was not required to make any payments from April 2018 through September 2019. Starting in October 2019 and through November 2023 the buyer is required to pay $10,000 per month. At the closing date, December 1, 2023, the remaining outstanding balance shall be due and payable and title to the property will be transferred to the buyer. The buyer has the right to prepay the balance of the purchase price and at the time the purchase price is paid in full and the buyer has complied with all other obligations, the date of the prepayment shall be deemed the closing date. At December 31, 2022, the City has collected $360,000, which is reported as unearned revenues.

B. Contracts

The City has the following significant outstanding contractual commitments for various construction projects at December 31, 2022:

Project	Contract and Contingency	Amount Incurred	Amount Remaining
Barlow Farm Park tennis and pickleball courts	$ 1,815,489	$ 1,630,747	$ 184,742
Veterans Trails phase 3	1,138,505	374,854	763,651
Barlow Community Center improvements	1,859,501	1,672,744	186,757
Middleton/Stow Rd improvements	2,666,096	653,010	2,013,086
SR91 south widening	835,677	395,849	439,828
Seasons Rd waterline	1,682,973	1,529,616	153,357

C. Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

Note 24: Significant Commitments (continued)

C. Encumbrances (continued)

At year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental funds:		
General	$	798,557
Street Construction		133,543
Hudson Parks		1,399,383
Street Sidewalk Construction		3,110,042
Downtown Phase II		67,337
Nonmajor Governmental		1,134,777
Total governmental funds	$	6,643,639

Note 25: Tax Abatement Disclosures

As of December 31, 2022, the City provides tax incentives under two programs: The Community Reinvestment Area (CRA) and the Job Creation Grant Program.

Real Estate tax abatements

Pursuant to Ohio Revised Code Chapter 3735, the City established a Community Reinvestment Area, which included all land within the boundaries of the City. The City authorizes incentives through passage of public ordinances, based upon each businesses investment criteria, and through a contractual application process with each business, including proof that the improvement have been made. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill.

The establishment of the CRA gave the City the ability to maintain and expand business located in the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate and includes major housing improvements. During 2022, the City had multiple agreements under the CRA outstanding with total abated property taxes of $1,137,010. The City's share of the abated taxes for 2022 was $86,333.

Income tax abatement programs

The City created the Job Creation Grant Program. The purpose of the program is to maintain the City's competitiveness as a site for location of new businesses and the expansion of existing businesses. Pursuant to Article XVIII, Section 3 and Article VIII, Section 13 of the Ohio Constitution (Resolution #05-39), the City provides an incentive to the company based upon the company's gross annual payroll, the amount of income tax generated annually and the number of jobs created or retained by the business. The abatement is administered as a refund based upon the company's payroll taxes. Also, the time period of the incentive in years, is determined by how many new jobs are to be created by the company. The total amount of taxes abated under this program for the year ended December 31, 2022 was $78,220.

Note 26: COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in May 2023. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. The City's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

Note 27: Asset Retirement Obligations

Ohio Administrative Code Section 3745-9-10 requires wells not being used to obtain water or provide information on quantity or quality be sealed. The City has five water wells and one brine well that meet the requirements to be filled and capped. This would require concrete to fill the well casing, removal of the pumps and upper portion of the casting to a below elevation grade along with welding plate to seal the casing after it was filled. This asset retirement obligation (ARO) of $41,216 associated with the City's water and brine wells was estimated by the Assistant Director of Public Works and adjusted for inflation. The remaining useful life of these water and brine wells range from 0 to 37.5 years.

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employee Retirement System – Traditional Plan

For the Last Nine Years (1)

	2022	2021	2020	2019
City's proportion of the net pension liability	0.079206%	0.077444%	0.076860%	0.078198%
City's proportionate share of the net pension liability	$ 6,891,241	$ 11,467,770	$ 15,191,901	$ 21,416,847
City's covered payroll	$ 11,587,428	$ 11,007,971	$ 10,795,971	$ 10,547,760
City's proportionate share of the net pension liability as a percentage of its covered payroll	59.47%	104.18%	140.72%	203.05%
Plan fiduciary net position as a percentage of the total pension liability	92.62%	86.88%	82.17%	74.70%

	2018	2017	2016	2015	2014
City's proportion of the net pension liability	0.080592%	0.077752%	0.076305%	0.074007%	0.074007%
City's proportionate share of the net pension liability	$ 12,643,320	$ 17,656,065	$ 13,217,039	$ 8,926,071	$ 8,724,461
City's covered payroll	$ 10,184,293	$ 9,366,862	$ 9,408,900	$ 9,174,175	$ 8,946,448
City's proportionate share of the net pension liability as a percentage of its covered payroll	124.15%	188.50%	140.47%	97.30%	97.52%
Plan fiduciary net position as a percentage of the total pension liability	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to show information for ten years, information prior to 2014 is not available. Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Asset
Ohio Public Employee Retirement System – Combined Plan

For the Last Nine Years (1)

	2022	2021	2020	2019
City's proportion of the net pension asset	0.127440%	0.124856%	0.117403%	0.127431%
City's proportionate share of the net pension asset	$ 502,121	$ 360,415	$ 244,813	$ 142,497
City's covered payroll	$ 585,543	$ 555,500	$ 522,350	$ 540,616
City's proportionate share of the net pension asset as a percentage of its covered payroll	85.75%	64.88%	46.87%	26.36%
Plan fiduciary net position as a percentage of the total pension liability	169.88%	157.67%	145.28%	126.64%

	2018	2017	2016	2015	2014
City's proportion of the net pension asset	0.135515%	0.137788%	0.166580%	0.166437%	0.166437%
City's proportionate share of the net pension asset	$ 184,477	$ 76,688	$ 81,062	$ 64,084	$ 17,465
City's covered payroll	$ 524,274	$ 501,613	$ 597,167	$ 585,375	$ 570,840
City's proportionate share of the net pension asset as a percentage of its covered payroll	35.19%	15.29%	13.57%	10.95%	3.06%
Plan fiduciary net position as a percentage of the total pension liability	137.28%	116.55%	116.90%	114.83%	n/a

(1) Although this schedule is intended to show information for ten years, information prior to 2014 is not available. Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

City of Hudson, Ohio

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

For the Last Nine Years (1)

	2022	2021	2020	2019
City's proportion of the net pension liability	0.093464%	0.092106%	0.095555%	0.091459%
City's proportionate share of the net pension liability	$ 5,839,076	$ 6,278,967	$ 6,437,069	$ 7,465,471
City's covered payroll	$ 2,648,528	$ 2,531,364	$ 2,453,007	$ 2,306,605
City's proportionate share of the net pension liability as a percentage of its covered payroll	220.46%	248.05%	262.42%	323.66%
Plan fiduciary net position as a percentage of the total pension liability	75.03%	70.65%	69.89%	63.07%

	2018	2017	2016	2015	2014
City's proportion of the net pension liability	0.100405%	0.094876%	0.099193%	0.102264%	0.102264%
City's proportionate share of the net pension liability	$ 6,162,308	$ 6,009,351	$ 6,381,155	$ 5,297,686	$ 4,980,563
City's covered payroll	$ 2,336,446	$ 2,279,200	$ 2,228,026	$ 2,371,831	$ 2,162,499
City's proportionate share of the net pension liability as a percentage of its covered payroll	263.75%	263.66%	286.40%	223.36%	230.32%
Plan fiduciary net position as a percentage of the total pension liability	70.91%	68.36%	66.77%	71.71%	73.00%

1) Although this schedule is intended to show information for ten years, information prior to 2014 is not available. Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City Pension Contributions
Ohio Public Employee Retirement System – Traditional Plan

For the Last Ten Years

	2022	2021	2020	2019	2018
Contractually required contribution	$ 1,660,004	$ 1,622,240	$ 1,541,116	$ 1,511,436	$ 1,476,686
Contributions in relation to the contractually required contribution	(1,660,004)	(1,622,240)	(1,541,116)	(1,511,436)	(1,476,686)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 11,857,174	$ 11,587,428	$ 11,007,971	$ 10,795,971	$ 10,547,760
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%

	2017	2016	2015	2014	2013
Contractually required contribution	$ 1,323,958	$ 1,124,025	$ 1,129,068	$ 1,100,901	$ 1,163,038
Contributions in relation to the contractually required contribution	(1,323,958)	(1,124,025)	(1,129,068)	(1,100,901)	(1,163,038)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 10,184,293	$ 9,366,862	$ 9,408,900	$ 9,174,175	$ 8,946,448
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%	13.00%

The accompanying notes are an integral part of the required supplementary information

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City Pension Contributions
Ohio Public Employee Retirement System – Combined Plan

For the Last Ten Years

	2022	2021	2020	2019	2018
Contractually required contribution	$ 74,924	$ 81,976	$ 77,770	$ 73,129	$ 75,686
Contributions in relation to the contractually required contribution	(74,924)	(81,976)	(77,770)	(73,129)	(75,686)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 586,436	$ 585,543	$ 555,500	$ 522,350	$ 540,616
Contributions as a percentage of covered payroll	12.78%	14.00%	14.00%	14.00%	14.00%

	2017	2016	2015	2014	2013
Contractually required contribution	$ 68,156	$ 60,196	$ 71,660	$ 70,245	$ 74,209
Contributions in relation to the contractually required contribution	(68,156)	(60,196)	(71,660)	(70,245)	(74,209)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 524,274	$ 501,613	$ 597,167	$ 585,375	$ 570,840
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%	13.00%

The accompanying notes are an integral part of the required supplementary information

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City Pension Contributions
Ohio Police and Fire Pension Fund

For the Last Ten Years

	2022	2021	2020	2019	2018
Contractually required contribution	$ 510,226	$ 503,220	$ 480,959	$ 490,531	$ 438,255
Contributions in relation to the contractually required contribution	(510,226)	(503,220)	(480,959)	(490,531)	(438,255)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 2,685,400	$ 2,648,528	$ 2,531,364	$ 2,453,007	$ 2,306,605
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	20.00%	19.00%

	2017	2016	2015	2014	2013
Contractually required contribution	$ 443,925	$ 433,048	$ 423,325	$ 450,648	$ 343,477
Contributions in relation to the contractually required contribution	(443,925)	(433,048)	(423,325)	(450,648)	(343,477)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 2,336,446	$ 2,279,200	$ 2,228,026	$ 2,371,831	$ 2,162,499
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%	15.88%

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB (Asset) Liability
Ohio Public Employee Retirement System

For the Last Six Years (1)

	2022
City's proportion of the net OPEB liability/asset	0.080108%
City's proportionate share of the net OPEB (asset) liability	$ (2,509,106)
City's covered payroll	$ 12,592,293
City's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-19.93%
Plan fiduciary net position as a percentage of the total OPEB liability	128.23%

	2021	2020	2019	2018	2017
City's proportion of the net OPEB liability/asset	0.078607%	0.078186%	0.079391%	0.082390%	0.079206%
City's proportionate share of the net OPEB (asset) liability	$ (1,400,447)	$ 10,799,519	$ 10,350,711	$ 8,946,948	$ 8,000,036
City's covered payroll	$ 11,997,786	$ 11,515,400	$ 11,502,464	$ 11,154,757	$ 10,945,893
City's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-11.67%	93.78%	89.99%	80.21%	73.09%
Plan fiduciary net position as a percentage of the total OPEB liability	115.57%	47.80%	46.33%	54.14%	n/a

(1) Although this schedule is intended to show information for ten years, information prior to 2017 is not available. Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

City of Hudson, Ohio

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

For the Last Six Years (1)

	2022
City's proportion of the net OPEB liability	0.093464%
City's proportionate share of the net OPEB liability	$ 1,024,443
City's covered payroll	$ 2,648,528
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	38.68%
Plan fiduciary net position as a percentage of the total OPEB liability	46.90%

	2021	2020	2019	2018	2017
City's proportion of the net OPEB liability	0.092106%	0.095555%	0.091459%	0.100405%	0.094876%
City's proportionate share of the net OPEB liability	$ 975,881	$ 943,862	$ 832,876	$ 5,688,807	$ 4,503,550
City's covered payroll	$ 2,531,364	$ 2,453,007	$ 2,306,605	$ 2,336,446	$ 2,279,200
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	38.55%	38.48%	36.11%	243.48%	197.59%
Plan fiduciary net position as a percentage of the total OPEB liability	45.40%	47.10%	46.57%	14.13%	n/a

(1) Although this schedule is intended to show information for ten years, information prior to 2017 is not available. Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City OPEB Contributions
Ohio Public Employee Retirement System

For the Last Seven Years (1)

	2022	2021	2020
Contractually-required contribution	$ 28,403	$ 16,773	$ 17,373
Contributions in relation to the contractually-required contribution	(28,403)	(16,773)	(17,373)
Contribution deficiency (excess)	$ -	$ -	$ -
City covered payroll	$ 12,974,257	$ 12,592,293	$ 11,997,786
Contributions as a percentage of covered payroll	0.22%	0.13%	0.14%

	2019	2018	2017	2016
Contractually-required contribution	$ 18,913	$ 16,337	$ 111,548	$ 218,918
Contributions in relation to the contractually-required contribution	(18,913)	(16,337)	(111,548)	(218,918)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City covered payroll	$ 11,515,400	$ 11,502,464	$ 11,154,757	$ 10,945,893
Contributions as a percentage of covered payroll	0.16%	0.14%	1.00%	2.00%

(1) Although this schedule is intended to show information for ten years, information prior to 2016 is not available. Amounts presented f were determined as of the City’s measurement date, which is the prior year-end.

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City OPEB Contributions
Ohio Police and Fire Pension Fund

For the Last Ten Fiscal Years

	2022	2021	2020	2019	2018
Contractually required contribution	$ 13,427	$ 13,243	$ 12,657	$ 12,909	$ 11,533
Contributions in relation to the contractually required contribution	(13,427)	(13,243)	(12,657)	(12,909)	(11,533)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 2,685,400	$ 2,648,528	$ 2,531,364	$ 2,453,007	$ 2,306,605
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.53%	0.50%

	2017	2016	2015	2014	2013
Contractually required contribution	$ 11,682	$ 11,396	$ 11,140	$ 11,859	$ 78,282
Contributions in relation to the contractually required contribution	(11,682)	(11,396)	(11,140)	(11,859)	(78,282)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 2,336,446	$ 2,279,200	$ 2,228,026	$ 2,371,831	$ 2,162,499
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%	3.62%

City of Hudson, Ohio

Notes to the Required Supplementary Information

For the Year Ended December 31, 2022

Note 1: Net Pension Liability/Asset

Changes in Assumptions – OPERS

Amounts reported in the required supplementary information for OPERS traditional and combined plans incorporate changes in assumptions used by OPERS in calculating the pension liability. These assumptions are presented below for the periods indicated:

Key Methods and Assumptions in Valuing Total Pension Liability – 2022

	OPERS Traditional plan	OPERS Combined plan
Valuation Date	December 31, 2021	December 31, 2021
Experience Study	5-year period ended December 31, 2020	5-year period ended December 31, 2020
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	6.90%	6.90%
Wage Inflation	2.75%	2.75%
Projected Salary Increases, including 2.75% inflation	2.75 to 10.75%	2.75 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3% simple	3% simple
Post-Jan 7, 2013 Retirees	3% simple through 2022 then 2.05% simple	3% simple though 2022 then 2.05% simple

Key Methods and Assumptions in Valuing Total Pension Liability – 2021

	OPERS Traditional plan	OPERS Combined plan
Valuation date	December 31, 2020	December 31, 2020
Experience study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial cost method	Individual entry age	Individual entry age
Actuarial assumptions:		
Investment rate of return	7.20%	7.20%
Wage inflation	3.25%	3.25%
Projected salary increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 retirees	3% simple	3% simple
Post-Jan 7, 2013 retirees	0.50% simple through 2021 then 2.15% simple	0.50% simple though 2021 then 2.15% simple

Note 1: Net Pension Liability/Asset (continued)

Changes in Assumptions – OPERS (continued)

Key Methods and Assumptions in Valuing Total Pension Liability – 2020

	OPERS Traditional plan	OPERS Combined plan
Valuation date	December 31, 2019	December 31, 2019
Experience study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial cost method	Individual entry age	Individual entry age
Actuarial assumptions:		
Investment rate of return	7.20%	7.20%
Wage inflation	3.25%	3.25%
Projected salary increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 retirees	3% simple	3% simple
Post-Jan 7, 2013 retirees	1.40% simple through 2020 then 2.15% simple	1.40% simple though 2020 then 2.15% simple

Key Methods and Assumptions in Valuing Total Pension Liability – 2019

	OPERS Traditional plan	OPERS Combined plan
Valuation date	December 31, 2018	December 31, 2018
Experience study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial cost method	Individual entry age	Individual entry age
Actuarial assumptions:		
Investment rate of return	7.20%	7.20%
Wage inflation	3.25%	3.25%
Projected salary increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 retirees	3% simple	3% simple
Post-Jan 7, 2013 retirees	3% simple through 2018 then 2.15% simple	3% simple though 2018 then 2.15% simple

Note 1: Net Pension Liability/Asset (continued)

Changes in Assumptions – OPERS (continued)

Key Methods and Assumptions in Valuing Total Pension Liability – 2017-2018

	OPERS Traditional plan	OPERS Combined plan
Valuation date	December 31, 2017	December 31, 2017
Experience study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial cost method	Individual entry age	Individual entry age
Actuarial assumptions:		
Investment rate of return	7.50%	7.50%
Wage inflation	3.25%	3.25%
Projected salary increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 retirees	3% simple	3% simple
Post-Jan 7, 2013 retirees	3% simple through 2018 then 2.15% simple	3% simple though 2018 then 2.15% simple

Key Methods and Assumptions in Valuing Total Pension Liability – 2016 and prior

	OPERS Traditional plan	OPERS Combined plan
Valuation date	December 31, 2015	December 31, 2015
Experience study	5-year period ended December 31, 2010	5-year period ended December 31, 2010
Actuarial cost method	Individual entry age	Individual entry age
Actuarial assumptions:		
Investment rate of return	8.00%	8.00%
Wage inflation	3.75%	3.75%
Projected salary increases, including 3.75% inflation	4.25 to 10.05%	4.25 to 8.05%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 retirees	3% simple	3% simple
Post-Jan 7, 2013 retirees	3% simple through 2018 then 2.8% simple	3% simple though 2018 then 2.8% simple

Mortality rates – For amounts reported beginning in 2022 for the 2021 measurement use pre-retirement mortality rates based on 130% of the Pub-2010 General Employee Mortality tables (males and females). Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

Note 1: Net Pension Liability/Asset (continued)

Changes in Assumptions – OPERS (continued)

Amounts reported beginning in 2017 use mortality rates based on the RP-2014. Healthy Annuitant Mortality Table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables

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

Changes in Assumptions – OP&F

Amounts reported for 2022 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used from 2018 to 2021 and 2017 and prior are presented below:

	Beginning in 2022	2018 to 2021
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	8.00%
Projected Salary Increases	3.75% to 10.50%	3.75% to 10.50%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%	Inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of Living Adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3%	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3%

Note 1: Net Pension Liability/Asset (continued)

Changes in Assumptions – OP&F (continued)

	2017 and Prior
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25%
Projected Salary Increases	4.25% to 11.00%
Payroll Growth	Inflation rate of 3.25% plus productivity increase rate of 0.50%
Cost of Living Adjustments	3.00% simple; 2.60% simple for increases based on the lesser of the increase in CPI and 3%

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

Age	Police
67 or less	77%
68-77	105%
79 and up	115%

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

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

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

Note 2: Net OPEB Liability/Asset

Changes in Assumptions – OPERS

For fiscal year 2022, the municipal bond rate decreased from 2.00% to 1.84% and wage inflation decreased from 3.25% to 2.75%. The single discount rate remained 6.00%. The health care cost trend rate decreased from 8.5% initial, 3.5% ultimate in 2035 to 5.5% initial, 3.5% ultimate in 2034.

For 2021, the single discount rate changed from 3.16% in 2020 to 6.00%. For 2021, the municipal bond rate changed from 2.75% to 2.00%. For 2021, the health care cost trend rate changed from 10.5% initial, 3.5%, ultimate in 2030 to 8.5% initial, 3.5% ultimate in 2035.

For 2020, the single discount rate changed from 3.96% in 2019 to 3.16%. For 2020, the municipal bond rate changed from 3.71% to 2.75%. For 2020, the health care cost trend rate changed from 10% initial, 3.25%, ultimate in 2029 to 10.5% initial, 3.5% ultimate in 2030.

For 2019, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5% to 6.0%. For 2019, the single discount rate changed from 3.85% in 2018 to 3.96%. Prior to 2018, the single discount rate was 4.23%. For 2019, the municipal bond rate changed from 3.31% to 3.71%. For 2019, the health care cost trend rate changed from 7.5% initial, 3.25%, ultimate in 2028 to 10% initial, 3.25% ultimate in 2029.

Changes in Assumptions – OP&F

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

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

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

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

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

Changes in Benefit Terms – OP&F

Beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5%.

Ciuni & Panichi
CPAs and Business Advisors

Where Relationships Count.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Members of the City Council
City of Hudson, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hudson, Ohio (the "City"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2023, wherein we noted that the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, as disclosed in Notes 3 and 7.

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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To the Members of the City Council
City of Hudson, Ohio

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.

Ciuni + Panichi, Inc.

Cleveland, Ohio
June 27, 2023

Ciuni & Panichi
CPAs and Business Advisors
Where Relationships Count.

Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Members of the City Council
City of Hudson, Ohio

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the City of Hudson, Ohio's (the "City") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2022. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

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To the Members of the City Council
City of Hudson, Ohio

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

To the Members of the City Council
City of Hudson, Ohio

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, as of and for the year ended December 31, 2022, the respective budgetary comparison for the General Fund, Street Construction Fund and Hudson Parks Fund for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated, June 27, 2023, which contained unmodified opinions on those financial statements, wherein we noted that the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, as disclosed in Notes 3 and 7. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

To the Members of the City Council
City of Hudson, Ohio

In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Ciuni + Panichi, Inc.

Cleveland, Ohio
June 27, 2023

City of Hudson, Ohio

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Pass-Through Grantor's Number		Federal Expenditures
U.S. Department of Transportation:				
Passed through Ohio Department of Transportation:				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	93822	$	236,651
Highway Planning and Construction	20.205	106445		1,186,907
Highway Planning and Construction	20.205	107018		85,966
Total Highway Planning and Construction Cluster				1,509,524
Total U.S. Department of Transportation				1,509,524
U.S. Department of Homeland Security:				
Passed through Office of Federal Emergency Management Agency:				
COVID-19 Assistance to Firefighters Grant	97.044	N/A		2,503
Total U.S. Department of Homeland Security				2,503
U.S. Department of Justice:				
Passed through Ohio Governor's Office of Criminal Justice Services:				
Bulletproof Vest Partnership Program	16.607	2009-RA-A02-2302		7,892
Total U.S. Department of Justice				7,892
Total Federal Expenditures			$	1,519,919

City of Hudson, Ohio

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2022

Note 1: Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") reflects the federal award activity of the City of Hudson, Ohio (the "City") under programs of the federal government for the year ended December 31, 2022 and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: Indirect Cost Rate

The City has not elected to use the 10 percent de minimis indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

City of Hudson, Ohio

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2022

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any material control weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR Section 200.516(a)?	No
(d)(1)(vii)	Major Program	Highway Planning and Construction Cluster: ALN # 20.205
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >$750,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

None noted.

3. Findings for Federal Awards

None noted.

City of Hudson, Ohio

Schedule of Prior Audit Findings and Questioned Costs

For the Year Ended December 31, 2022

No prior year audit findings or questioned costs.

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OHIO AUDITOR OF STATE
KEITH FABER

CITY OF HUDSON

SUMMIT 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 9/12/2023

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