CITY OF WILLOUGHBY HILLS
LAKE COUNTY, OHIO

REGULAR AUDIT

FOR THE YEAR ENDED
DECEMBER 31, 2021

Rea & associates

www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER

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City Council
City of Willoughby Hills
35405 Chardon Road
Willoughby Hills, Ohio 44094

We have reviewed the *Independent Auditor's Report* of the City of Willoughby Hills, Lake County, prepared by Rea & Associates, Inc., for the audit period January 1, 2021 through December 31, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

August 14, 2023

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Willoughby Hills
Lake County, Ohio
35405 Chardon Road
Willoughby Hills, Ohio 44094

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willoughby Hills, Lake County, Ohio (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2021, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the safety forces fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis and Pension and other Post-Employment Benefit Schedules* 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 GAAS, 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.

Rea & Associates, Inc.

Rea & Associates, Inc.
Medina, Ohio
June 27, 2023

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

Financial Highlights

- The City's governmental net position increased in 2021 mainly due to increases in capital assets, decreases to both the net pension and OPEB liabilities, with the net OPEB liability becoming an asset in 2021, and from the continued pay-down of debt. This increase was offset by increases to current liabilities as a large portion of Federal COVID-19 monies was unearned for 2021.

- The City's enterprise fund saw an increase in net position as the City continued to make payments on enterprise debt and with the net OPEB liability becoming an asset during 2021.

- In 2021, capital asset additions consisted of construction in progress, building improvements, land improvements, various equipment, vehicles and major road improvements.

- Long-term liabilities decreased in 2021 due to a decreases in both the net pension and OPEB liabilities along with current year debt payments.

- The City's governmental funds saw a significant increase in cash and cash equivalents that is directly related to both an increase in income tax revenue as the City continues to rebound from the early pandemic crisis along with Federal COVID monies that allow the City to move governmental expenditures to the funds maintaining these monies, thereby saving on expenditures that often fell to the general fund.

Using This Annual Financial Report

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

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

The City of Willoughby Hills as a Whole

Statement of Net Position and the Statement of Activities

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

The *statement of net position* presents information on all of the City of Willoughby Hills' assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between all the elements reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Willoughby Hills is improving or deteriorating. However, the analysis on the City's condition must also look at the City's tax base, property tax valuation and the condition of the City's assets.

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

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

Reporting the City's Most Significant Funds

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

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, safety forces fund and the general obligation bond retirement fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds The City's only proprietary fund is the sewer system. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources 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. The City's fiduciary fund is a custodial fund.

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

The City as a Whole

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

Table 1
Net Position

	Governmental Activities		Business-Type Activity		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and Other Assets	$17,516,670	$16,559,727	$1,790,722	$1,859,422	$19,307,392	$18,419,149
Noncurrent Asset:						
Net Pension Asset	8,901	6,566	568	418	9,469	6,984
Net OPEB Asset	171,156	0	10,920	0	182,076	0
Capital Assets, Net	16,666,299	16,218,367	17,128,193	17,297,226	33,794,492	33,515,593
Total Assets	34,363,026	32,784,660	18,930,403	19,157,066	53,293,429	51,941,726
Deferred Outflows of Resources						
Pension	1,824,326	1,607,853	37,994	93,470	1,862,320	1,701,323
OPEB	940,035	1,035,985	23,245	58,580	963,280	1,094,565
ARO	0	0	18,400	18,800	18,400	18,800
Total Deferred Outflows of Resources	2,764,361	2,643,838	79,639	170,850	2,844,000	2,814,688
Liabilities						
Current Liabilities	1,504,478	1,000,403	289,908	273,888	1,794,386	1,274,291
Long-Term Liabilities						
Due Within One Year	742,784	797,047	341,725	351,183	1,084,509	1,148,230
Due in More Than One Year						
Net Pension Liability	9,601,488	9,709,378	88,978	132,053	9,690,466	9,841,431
Net OPEB Liability	1,275,609	2,582,820	0	93,354	1,275,609	2,676,174
Other Amounts	4,073,015	4,662,065	1,280,434	1,622,159	5,353,449	6,284,224
Total Liabilities	17,197,374	18,751,713	2,001,045	2,472,637	19,198,419	21,224,350
Deferred Inflows of Resources						
Property Taxes	1,821,091	1,666,544	0	0	1,821,091	1,666,544
Pension	1,527,799	1,431,892	47,992	44,421	1,575,791	1,476,313
OPEB	1,095,589	751,147	38,976	24,070	1,134,565	775,217
Total Deferred Inflows of Resources	4,444,479	3,849,583	86,968	68,491	4,531,447	3,918,074
Net Position						
Net Investment in Capital Assets	16,637,494	16,100,867	15,526,034	15,343,884	32,163,528	31,444,751
Restricted for:						
Capital Projects	223,068	244,703	0	0	223,068	244,703
Debt Service	343,562	369,370	0	0	343,562	369,370
Other Purposes	4,054,178	3,665,525	0	0	4,054,178	3,665,525
Unrestricted (Deficit)	(5,772,768)	(7,553,263)	1,395,995	1,442,904	(4,376,773)	(6,110,359)
Total Net Position	$15,485,534	$12,827,202	$16,922,029	$16,786,788	$32,407,563	$29,613,990

The net pension liability (NPL) is one of the largest single liabilities reported by the City at December 31, 2021. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange; however, the City is not responsible for certain key factors affecting the balance of these liabilities.

In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB.

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

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

For the City, total net position for governmental activities increased due to increases in cash and cash equivalents and capital assets, decreases to both the net pension and OPEB liabilities, with the net OPEB liability becoming an asset in 2021, and from the continued pay-down of debt. This increase was offset by increases to current liabilities as a large portion of Federal COVID-19 monies was unearned for 2021.

Total net position for business-type activities showed an increase in net position as the City continued to make payments on enterprise debt and with the net OPEB liability becoming an asset during 2021.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current and prior years.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activity		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Charges for Services	$1,087,420	$1,098,422	$1,905,084	$1,753,132	$2,992,504	$2,851,554
Operating Grants and Contributions	1,280,235	2,143,492	0	0	1,280,235	2,143,492
Capital Grants, Contributions and Assessments	204,554	268,400	45,766	6,785	250,320	275,185
Total Program Revenues	2,572,209	3,510,314	1,950,850	1,759,917	4,523,059	5,270,231
General Revenues						
Property Taxes	1,776,866	1,748,865	0	0	1,776,866	1,748,865
Income Taxes	6,606,006	5,825,635	0	0	6,606,006	5,825,635
Admission and Hotel Taxes	31,025	37,697	0	0	31,025	37,697
Grants and Entitlements	854,782	1,158,831	0	0	854,782	1,158,831
Franchise Taxes	94,734	92,170	0	0	94,734	92,170
Interest	2,123	12,175	5,739	11,766	7,862	23,941
Gain on the Sale of Capital Assets	0	12,495	0	0	0	12,495
Unrestricted Contributions	2,260	148	0	0	2,260	148
Other	283,965	307,588	559	490	284,524	308,078
Total General Revenues	9,651,761	9,195,604	6,298	12,256	9,658,059	9,207,860
Total Revenues	12,223,970	12,705,918	1,957,148	1,772,173	14,181,118	14,478,091
Program Expenses						
General Government	1,551,060	1,816,999	0	0	1,551,060	1,816,999
Security of Persons and Property						
Police	3,436,370	4,083,086	0	0	3,436,370	4,083,086
Fire	2,840,195	2,924,605	0	0	2,840,195	2,924,605
Transportation	1,444,083	1,816,456	0	0	1,444,083	1,816,456
Community Environment	544	29,507	0	0	544	29,507
Leisure Time Activities	149,550	251,794	0	0	149,550	251,794
Interest and Fiscal Charges	143,836	163,317	0	0	143,836	163,317
Sewer	0	0	1,821,907	1,825,064	1,821,907	1,825,064
Total Program Expenses	9,565,638	11,085,764	1,821,907	1,825,064	11,387,545	12,910,828
Change in Net Position	2,658,332	1,620,154	135,241	(52,891)	2,793,573	1,567,263
Net Position Beginning of Year	12,827,202	11,207,048	16,786,788	16,839,679	29,613,990	28,046,727
Net Position End of Year	$15,485,534	$12,827,202	$16,922,029	$16,786,788	$32,407,563	$29,613,990

Governmental Activities

For governmental activities, there were decreases in all three program revenue categories. The only significant decrease was to operating grants and contributions due largely to the City receiving less Federal, state and local funding in 2021 as management worked diligently to ensure expenses were in-line with anticipated revenues. The increase in general revenues was mainly due to an increase in income tax revenues as the City continues to rebound from early pandemic changes to the economy. Several sources fund the City's governmental activities with the municipal income tax being the largest component. The City has a current municipal income tax rate of two percent. In November 2010, the voters approved a one half percent increase to the City's income tax rate. Effective January 1, 2011, the City has matched its other adjacent Lake County cities with an income tax rate of two percent. The additional one half percent increase was solely used to support the City's safety forces. The City grants one hundred percent credit to residents who pay municipal income tax to another city. Property tax collections are one of the next largest source of general revenue for governmental activities. The City collects 3 mills of inside millage and 4.3 mills of outside millage. The outside millage is generated from a 1.8 mill perpetual levy for fire and EMS services and a 2.5 mill road levy. The City is constantly reviewing its fee structure to ensure that all fees constitute a fair charge for the cost of providing government services.

Overall, the largest expenses for the City are in the police and fire departments. The City, in conjunction with the Federal Drug Enforcement Agency, vigorously enforces drug laws. They have made several large drug busts and confiscated large quantities of illegal substances. The City places confiscated funds in two special revenue funds. The use of these confiscated funds is governed by the police department control policy.

The City's fire department is staffed by approximately 30 full-time and part-time firemen. All of these personnel are cross trained as paramedics. In the late 1990's, the City began charging for ambulance rides. Proceeds of the ambulance billings are pledged by ordinance to finance the acquisition of fire department equipment and improvements to fire department's facilities.

Business-Type Activity

The City's business-type activity is comprised of one enterprise fund, which is the City's sanitary sewer system. The largest source of revenue for the sewer fund is charges for services. On the expense side, the largest expense was for contractual services relating to utilities. For 2021 customer collections increased from the prior year while also exceeding current year expense amounts resulting from a strong City budget.

Governmental Funds

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

The City's major governmental funds are the general fund, safety forces special revenue fund and the general obligation bond retirement debt service fund. The general fund saw an increase in fund balance during the year primarily due to revenues exceeding expenditures plus subsidies to other funds in the form of transfers out. The safety forces special revenue fund saw an increase in fund balance due to the large subsidy from the general fund in the form of a transfer in. The general obligation bond retirement fund saw a slight decrease in fund balance resulting from the current year debt service requirement but was left with a health balance heading into the next year.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. All recommendations for budget changes are presented to the Finance Committee of Council before going to City Council for legislative action to approve the change. Budgetary changes normally consist of requests for capital expenditures as the City operates with a legal level of control at the object level within each department for all funds. This allows the City to make small interdepartmental budget modifications within departments. The general fund is monitored closely with regard to revenues and related expenditures. The general fund's actual revenue exceeded the final budget amount due in large to greater than anticipated income tax collections as the local economy continues to have a strong rebound from the COVID Pandemic. Actual expenditures well under the final budget due mainly a concerted effort by management to hold expenditures within the budget and to save where it was possible.

Capital Assets

For 2021, the primary additions for governmental activities of construction in progress, building improvements, land improvements, various equipment, vehicles and major road improvements as the City recognizes . Business-type additions included infrastructure updates and equipment. Additional information concerning the City's capital assets can be found in Note 8, to the basic financial statements.

Long-term Obligations

The OWDA loans outstanding are for sanitary sewer improvements. The principal and interest for the OWDA loans are retired primarily with assessments levied against property owners of the City based on the benefit to the respective parties. Assessments are collected by the Lake County Auditor and will be received through 2032. The OPWC loan outstanding is for the Rogers Road slope failure project. Business-type debt includes OPWC loans and OWDA loans outstanding for infrastructure improvement projects, which are repaid using sewer revenues and with assessments levied against property owners of the City based on the benefit to the respective parties. Additional information concerning debt issuances can be found in Note 13 to the basic financial statements.

Current Related Financial Activities

The City maintains a careful watch over its financial operations. This should help the City continue to remain financially strong. In addition, the City is working on strengthening its internal control system, and improving its budgeting and procurement standards to help the City meet the challenges of the future. The City remains open to providing the citizens of Willoughby Hills with full disclosure of the financial position of the City.

Contacting the City of Willoughby Hills' Financial Management

This financial report is designed to provide the citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Finance Director, City of Willoughby Hills, 35405 Chardon Road, Willoughby Hills, Ohio 44094-9103. Phone: (440) 946-1234, Fax: (440) 975-3533 or email finance@willoughbyhills-oh.gov.

City of Willoughby Hills, Ohio
Statement of Net Position
December 31, 2021

	Governmental Activities	Business-Type Activity	Total *
Assets			
Equity in Pooled Cash and Cash Equivalents	$7,929,638	$1,686,263	$9,615,901
Materials and Supplies Inventory	57,255	0	57,255
Accounts Receivable	243,238	0	243,238
Intergovernmental Receivable	830,555	91,377	921,932
Prepaid Items	167,541	13,082	180,623
Municipal Income Taxes Receivable	2,199,490	0	2,199,490
Property Taxes Receivable	1,862,735	0	1,862,735
Special Assessments Receivable	4,226,218	0	4,226,218
Net Pension Asset (See Note 10)	8,901	568	9,469
Net OPEB Asset (See Note 11)	171,156	10,920	182,076
Nondepreciable Capital Assets	1,199,519	268,613	1,468,132
Depreciable Capital Assets, Net	15,466,780	16,859,580	32,326,360
Total Assets	34,363,026	18,930,403	53,293,429
Deferred Outflows of Resources			
Pension	1,824,326	37,994	1,862,270
OPEB	940,035	23,245	963,280
Asset Retirement Obligation	0	18,400	18,400
Total Deferred Outflows of Resources	2,764,361	79,639	2,843,950
Liabilities			
Accounts Payable	377,751	4,035	381,786
Contracts Payable	18,805	0	18,805
Deposits Held Payable	202,993	0	202,993
Accrued Wages	68,037	1,320	69,357
Vacation Benefits Payable	143,286	0	143,286
Accrued Interest Payable	67,614	18,610	86,224
Intergovernmental Payable	125,628	265,943	391,571
Unearned Revenue	500,364	0	500,364
Long-Term Liabilities:			
Due Within One Year	742,784	341,725	1,084,509
Due In More Than One Year:			
Net Pension Liability (See Note 10)	9,601,488	88,978	9,690,466
Net OPEB Liability (See Note 11)	1,275,609	0	1,275,609
Other Amounts	4,073,015	1,280,434	5,353,449
Total Liabilities	17,197,374	2,001,045	19,198,419
Deferred Inflows of Resources			
Property Taxes	1,821,091	0	1,821,091
Pension	1,527,799	47,992	1,575,741
OPEB	1,095,589	38,976	1,134,565
Total Deferred Inflows of Resources	4,444,479	86,968	4,531,397
Net Position			
Net Investment in Capital Assets	16,637,494	15,526,034	32,163,528
Restricted for:			
Capital Projects	223,068	0	223,068
Debt Service	343,562	0	343,562
Other Purposes	4,054,178	0	4,054,178
Unrestricted (Deficit)	(5,772,768)	1,395,995	(4,376,773)
Total Net Position	$15,485,534	$16,922,029	$32,407,563

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

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio
Statement of Activities
For the Year Ended December 31, 2021

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants, Contributions and Assessments
Governmental Activities:				
General Government	$1,551,060	$477,512	$50,307	$0
Security of Persons and Property				
Police	3,436,370	36,887	106,039	0
Fire	2,840,195	309,564	261,741	0
Transportation	1,444,083	199,680	829,491	203,054
Community Environment	544	3,159	32,657	0
Leisure Time Activities	149,550	60,618	0	1,500
Interest and Fiscal Charges	143,836	0	0	0
Total Governmental Activities	9,565,638	1,087,420	1,280,235	204,554
Business-Type Activity:				
Sewer	1,821,907	1,905,084	0	45,766
Total	$11,387,545	$2,992,504	$1,280,235	$250,320

General Revenues
Property Taxes Levied for:
General Purposes
Debt Service
Police Pension
Fire Levy
Road Levy
Municipal Income Tax Levied for:
General Purposes
Safety Forces
Admission and Hotel Taxes
Grants and Entitlements not Restricted to Specific Programs
Franchise Taxes
Interest
Unrestricted Contributions
Other

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activity	Total
($1,023,241)	$0	($1,023,241)
(3,293,444)	0	(3,293,444)
(2,268,890)	0	(2,268,890)
(211,858)	0	(211,858)
35,272	0	35,272
(87,432)	0	(87,432)
(143,836)	0	(143,836)
(6,993,429)	0	(6,993,429)
0	128,943	128,943
(6,993,429)	128,943	(6,864,486)
565,952	0	565,952
115,793	0	115,793
75,751	0	75,751
454,496	0	454,496
564,874	0	564,874
5,308,244	0	5,308,244
1,297,762	0	1,297,762
31,025	0	31,025
854,782	0	854,782
94,734	0	94,734
2,123	5,739	7,862
2,260	0	2,260
283,965	559	284,524
9,651,761	6,298	9,658,059
2,658,332	135,241	2,793,573
12,827,202	16,786,788	29,613,990
$15,485,534	$16,922,029	$32,407,563

City of Willoughby Hills, Ohio

Balance Sheet
Governmental Funds
December 31, 2021

	General	Safety Forces	General Obligation Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	$2,931,537	$1,572,451	$232,440	$2,965,553	$7,701,981
Materials and Supplies Inventory	3,765	20,058	0	33,432	57,255
Accounts Receivable	23,896	0	0	219,342	243,238
Interfund Receivable	0	0	0	2,950	2,950
Intergovernmental Receivable	319,798	9,474	108,638	392,645	830,555
Prepaid Items	167,541	0	0	0	167,541
Municipal Income Taxes Receivable	1,737,597	461,893	0	0	2,199,490
Property Taxes Receivable	740,309	0	0	1,122,426	1,862,735
Special Assessments Receivable	0	0	4,226,218	0	4,226,218
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	227,657	0	0	0	227,657
Total Assets	$6,152,100	$2,063,876	$4,567,296	$4,736,348	$17,519,620
Liabilities					
Accounts Payable	$304,537	$56,187	$0	$17,027	$377,751
Deposits Held Payable from Restricted Assets	202,993	0	0	0	202,993
Contracts Payable	0	0	0	18,805	18,805
Accrued Wages	18,235	42,346	0	7,456	68,037
Intergovernmental Payable	22,292	78,291	21,225	3,820	125,628
Interfund Payable	0	0	0	2,950	2,950
Unearned Revenue	0	0	0	500,364	500,364
Total Liabilities	548,057	176,824	21,225	550,422	1,296,528
Deferred Inflows of Resources					
Property Taxes	723,762	0	0	1,097,329	1,821,091
Unavailable Revenue	1,574,080	345,754	4,334,856	563,863	6,818,553
Total Deferred Inflows of Resources	2,297,842	345,754	4,334,856	1,661,192	8,639,644
Fund Balances					
Nonspendable	195,970	20,058	0	33,432	249,460
Restricted	0	1,521,240	211,215	1,752,380	3,484,835
Committed	34,218	0	0	741,872	776,090
Assigned	186,006	0	0	0	186,006
Unassigned (Deficit)	2,890,007	0	0	(2,950)	2,887,057
Total Fund Balances	3,306,201	1,541,298	211,215	2,524,734	7,583,448
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$6,152,100	$2,063,876	$4,567,296	$4,736,348	$17,519,620

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2021

Total Governmental Funds Balances		$7,583,448
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.		16,666,299
Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.		
Delinquent Property Taxes	41,644	
Income Taxes	1,601,333	
Charges for Services	198,891	
Licenses, Permits and Fees	18,647	
Intergovernmental	724,148	
Special Assessments	4,226,218	
Rentals	7,672	
Total		6,818,553
In the statement of activities, interest is accrued on outstanding liabilities, whereas in governmental funds, an interest expenditure is reported when due.		(67,614)
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.		(143,286)
The net pension asset (liability) and the net OPEB asset (liability) are not due and payable in the current period; therefore, the asset (liability) and related deferred inflows/outflows are not reported in governmental funds.		
Net Pension Asset	8,901	
Deferred Outflows - Pension	1,824,326	
Net Pension Liability	(9,601,488)	
Deferred Inflows - Pension	(1,527,799)	
Net OPEB Asset	171,156	
Deferred Outflows - OPEB	940,035	
Net OPEB Liability	(1,275,609)	
Deferred Inflows - OPEB	(1,095,589)	
Total		(10,556,067)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
OPWC Loans Payable	(10,000)	
OWDA Loans Payable	(4,320,551)	
Compensated Absences	(485,248)	
Total		(4,815,799)
Net Position of Governmental Activities		$15,485,534

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio

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

	General	Safety Forces	General Obligation Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	$563,218	$0	$118,705	$1,096,892	$1,778,815
Municipal Income Taxes	5,283,227	1,330,399	0	0	6,613,626
Admission and Hotel Taxes	31,025	0	0	0	31,025
Charges for Services	202,924	0	0	386,946	589,870
Licenses, Permits and Fees	122,092	5,000	0	0	127,092
Fines and Forfeitures	276,246	0	0	59,622	335,868
Intergovernmental	786,292	7,000	47,837	1,273,257	2,114,386
Special Assessments	0	0	685,500	0	685,500
Interest	894	375	34	820	2,123
Rentals	87,483	0	0	16,499	103,982
Contributions and Donations	2,260	3,035	0	6,092	11,387
Franchise Taxes	94,734	0	0	0	94,734
Miscellaneous	207,825	53,621	0	22,519	283,965
Total Revenues	7,658,220	1,399,430	852,076	2,862,647	12,772,373
Expenditures					
Current:					
General Government	1,824,677	43,008	46,370	73,935	1,987,990
Security of Persons and Property					
Police	0	3,343,564	0	189,355	3,532,919
Fire	0	1,924,971	0	930,375	2,855,346
Transportation	803,565	0	0	1,560,275	2,363,840
Community Environment	12,711	0	0	26,820	39,531
Leisure Time Activities	154,531	0	0	7,190	161,721
Capital Outlay	0	0	0	196,818	196,818
Debt Service:					
Principal Retirement	0	0	661,418	0	661,418
Interest and Fiscal Charges	0	0	154,456	0	154,456
Total Expenditures	2,795,484	5,311,543	862,244	2,984,768	11,954,039
Excess of Revenues Over (Under) Expenditures	4,862,736	(3,912,113)	(10,168)	(122,121)	818,334
Other Financing Sources (Uses)					
Transfers In	0	4,557,800	5,000	24,962	4,587,762
Transfers Out	(4,562,382)	0	0	(25,380)	(4,587,762)
Total Other Financing Sources (Uses)	(4,562,382)	4,557,800	5,000	(418)	0
Net Change in Fund Balances	300,354	645,687	(5,168)	(122,539)	818,334
Fund Balances Beginning of Year	3,005,847	895,611	216,383	2,647,273	6,765,114
Fund Balances End of Year	$3,306,201	$1,541,298	$211,215	$2,524,734	$7,583,448

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio

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

Net Change in Fund Balances - Total Governmental Funds		$818,334
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital Asset Additions	1,563,209	
Current Year Depreciation	(1,093,332)	
Total		469,877
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.		(21,945)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in governmental funds.		
Delinquent Property Taxes	(1,949)	
Income Taxes	(7,620)	
Charges for Services	(77,346)	
Licenses, Permits and Fees	18,647	
Intergovernmental	48,811	
Special Assessments	(518,253)	
Rentals	(10,693)	
Total		(548,403)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	841,475	
OPEB	17,921	
Total		859,396
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities are reported as pension expense in the statement of activities.		
Pension	(610,684)	
OPEB	1,020,054	
Total		409,370
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
General Obligation Bonds Payable	100,000	
OPWC Loans Payable	7,500	
OWDA Loans Payable	553,918	
Total		661,418
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net position.		10,620
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.		
Compensated Absences	(18,105)	
Vacation Benefits Payable	17,770	
Total		(335)
Change in Net Position of Governmental Activities		$2,658,332

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio

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

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$540,600	$540,600	$563,218	$22,618
Municipal Income Taxes	4,773,600	4,773,600	5,249,087	475,487
Admission and Hotel Taxes	35,300	35,300	31,025	(4,275)
Charges for Services	257,600	257,600	195,106	(62,494)
Licenses, Permits and Fees	146,100	146,100	121,817	(24,283)
Fines and Forfeitures	323,900	323,900	271,272	(52,628)
Intergovernmental	667,800	667,800	778,549	110,749
Interest	5,000	5,000	888	(4,112)
Rentals	65,800	65,800	87,683	21,883
Contributions and Donations	500	500	300	(200)
Franchise Taxes	105,300	105,300	94,734	(10,566)
Miscellaneous	210,500	210,500	207,825	(2,675)
Total Revenues	7,132,000	7,132,000	7,601,504	469,504
Expenditures				
Current:				
General Government	1,968,791	1,981,491	1,903,900	77,591
Transportation	927,198	927,198	873,745	53,453
Community Environment	190,091	190,091	119,628	70,463
Leisure Time Activities	217,527	204,827	161,398	43,429
Total Expenditures	3,303,607	3,303,607	3,058,671	244,936
Excess of Revenues Over (Under) Expenditures	3,828,393	3,828,393	4,542,833	714,440
Other Financing Sources (Uses)				
Transfers Out	(4,591,000)	(4,591,000)	(4,565,601)	25,399
Net Change in Fund Balance	(762,607)	(762,607)	(22,768)	739,839
Fund Balance Beginning of Year	2,219,851	2,219,851	2,219,851	0
Prior Year Encumbrances Appropriated	342,307	342,307	342,307	0
Fund Balance End of Year	$1,799,551	$1,799,551	$2,539,390	$739,839

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio

Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Safety Forces Fund
For the Year Ended December 31, 2021

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Municipal Income Taxes	$1,255,100	$1,255,100	$1,335,465	$80,365
Licenses, Permits and Fees	2,200	2,200	5,000	2,800
Intergovernmental	4,000	4,000	7,000	3,000
Interest	3,000	3,000	375	(2,625)
Contributions and Donations	4,500	4,500	3,035	(1,465)
Miscellaneous	40,200	40,200	53,621	13,421
Total Revenues	1,309,000	1,309,000	1,404,496	95,496
Expenditures				
Current:				
General Government	41,700	43,700	43,008	692
Security of Persons and Property				
Police	4,111,222	4,364,522	3,848,448	516,074
Fire	1,946,616	2,021,616	1,947,860	73,756
Total Expenditures	6,099,538	6,429,838	5,839,316	590,522
Excess of Revenues Over (Under) Expenditures	(4,790,538)	(5,120,838)	(4,434,820)	686,018
Other Financing Sources (Uses)				
Transfers In	4,557,800	4,557,800	4,557,800	0
Net Change in Fund Balance	(232,738)	(563,038)	122,980	686,018
Fund Balance Beginning of Year	657,161	657,161	657,161	0
Prior Year Encumbrances Appropriated	198,138	198,138	198,138	0
Fund Balance End of Year	$622,561	$292,261	$978,279	$686,018

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio
Statement of Fund Net Position
Enterprise Fund
December 31, 2021

	Sewer
Assets	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	$1,686,263
Intergovernmental Receivable	91,377
Prepaid Items	13,082
Total Current Assets	1,790,722
Noncurrent Assets	
Net Pension Asset	568
Net OPEB Asset	10,920
Nondepreciable Capital Assets	268,613
Depreciable Capital Assets, Net	16,859,580
Total Noncurrent Assets	17,139,681
Total Assets	18,930,403
Deferred Outflows of Resources	
Pension	37,994
OPEB	23,245
Asset Retirement Obligation	18,400
Total Deferred Outflows of Resources	79,639
Liabilities	
Current Liabilities	
Accounts Payable	4,035
Accrued Wages	1,320
Accrued Interest Payable	18,610
Intergovernmental Payable	265,943
OWDA Loans Payable	304,275
OPWC Loans Payable	37,450
Total Current Liabilities	631,633
Long-Term Liabilities (Net of Current Portion):	
OWDA Loans Payable	1,116,909
OPWC Loans Payable	143,525
Asset Retirement Obligation	20,000
Net Pension Liability	88,978
Total Long-Term Liabilities	1,369,412
Total Liabilities	2,001,045
Deferred Inflows of Resources	
Pension	47,992
OPEB	38,976
Total Deferred Inflows of Resources	86,968
Net Position	
Net Investment in Capital Assets	15,526,034
Unrestricted	1,395,995
Total Net Position	$16,922,029

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio

Statement of Revenues,
Expenses and Changes in Fund Net Position
Enterprise Fund
For the Year Ended December 31, 2021

	Sewer
Operating Revenue	
Charges for Services	$1,905,084
Other	559
Total Operating Revenues	1,905,643
Operating Expenses	
Personal Services	99,338
Fringe Benefits	846
Contractual Services	1,101,924
Depreciation	550,293
Other	30,216
Total Operating Expenses	1,782,617
Operating Income (Loss)	123,026
Non-Operating Revenues (Expenses)	
Interest Income	5,739
Special Assessments	45,766
Interest and Fiscal Charges	(39,290)
Total Non-Operating Revenues (Expenses)	12,215
Change in Net Position	135,241
Net Position Beginning of Year	16,786,788
Net Position End of Year	$16,922,029

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio

Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2021

	Sewer
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	$1,901,848
Cash Received from Other Operating Sources	559
Cash Payments for Employee Services and Benefits	(136,689)
Cash Payments for Contractual Services	(1,083,255)
Cash Payments for Other Operating Expenses	(31,000)
Net Cash Provided by (Used for) Operating Activities	651,463
Cash Flows from Capital and Related Financing Activities	
Principal Paid on OWDA Loans	(295,008)
Interest Paid on OWDA Loans	(43,344)
Principal Paid on OPWC Loans	(56,175)
Acquisition of Capital Assets	(381,260)
Special Assessments	45,766
Net Cash Provided by (Used for) Capital and Related Financing Activities	(730,021)
Cash Flows from Investing Activities	
Interest	5,739
Net Increase (Decrease) in Cash and Cash Equivalents	(72,819)
Cash and Cash Equivalents Beginning of Year	1,759,082
Cash and Cash Equivalents End of Year	$1,686,263

(continued)

City of Willoughby Hills, Ohio

Statement of Cash Flows
Enterprise Fund (continued)
For the Year Ended December 31, 2021

	Sewer
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	$123,026
Adjustments:	
Depreciation	550,293
(Increase)/Decrease in Assets/Deferred Outflows:	
Intergovernmental Receivable	(3,236)
Prepaids	(883)
Net Pension Asset	(67)
Net OPEB Asset	(52,796)
Asset Retirement Obligation	400
Pension	65,181
OPEB	35,812
Increase/(Decrease) in Liabilities/Deferred Inflows:	
Accounts Payable	(9,108)
Accrued Wages	1,011
Intergovernmental Payable	28,171
Net Pension Liability	(477)
Pension	(48,815)
OPEB	(37,049)
Total Adjustments	528,437
Net Cash Provided by (Used for) Operating Activities	$651,463

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio

Statement of Fiduciary Net Position
Custodial Fund
December 31, 2021

Assets	
Cash and Cash Equivalents in Segregated Accounts	$1,036
Liabilities	
Accounts Payable	40
Intergovernmental Payable	996
Total Liabilities	1,036
Net Position	
Restricted for Individuals and Other Governments	$0

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio
Statement of Changes in Fiduciary Net Position
Custodial Fund
For the Year Ended December 31, 2021

Additions	
Fines and Forfeitures for Individuals	$2,393
Fines and Forfeitures for Other Governments	117,233
Total Additions	119,626
Deletions	
Distributions to Individuals	2,393
Distributions to Other Governments	117,233
Total Deductions	119,626
Net Change in Fiduciary Net Position	0
Net Position Beginning of Year	0
Net Position End of Year	$0

See accompanying notes to the basic financial statements

Note 1 - Reporting Entity

The City of Willoughby Hills (the City) is a charter municipal corporation established and operated under the laws of the State of Ohio. The charter first became effective September 15, 1970. The current charter provides for a council-mayor form of government. Elected officials include seven council members and a mayor. The council members are elected for four year staggered terms. Four of the council members are elected at large. The mayor is elected for a four year term.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Willoughby Hills, this includes the agencies and departments that provide the following services: police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, refuse collection, recycling, sanitary sewer service and general administrative services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations which are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The reporting entity of the City does not include any component units.

The City participates in the Northeast Ohio Public Energy Council and the Regional Income Tax Agency jointly governed organizations and the Public Entities Pool of Ohio a Public Entity Risk Pool. These organizations are discussed in Note 15 and 18 of the Basic Financial Statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City of Willoughby Hills 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 more significant of the City’s accounting policies are described below.

Basis of Presentation

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

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

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 or interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

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

Fund Accounting

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

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

> ***General Fund*** The general fund accounts for and reports all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Willoughby Hills and/or the general laws of Ohio.
>
> ***Safety Forces Fund*** The safety forces special revenue fund is used to account for and report voter approved income taxes that are restricted for salaries of police and firemen and for police and fire supplies and equipment.

General Obligation Bond Retirement Fund The general obligation bond retirement fund is used to account for and report restricted property taxes levied to be used for the payment of principal and interest on general obligation bonds issued.

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

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

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The City does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The City's fiduciary funds are custodial funds. The City's custodial funds account for amounts collected and distributed on behalf of the mayor's court.

Measurement Focus

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

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

Like the government-wide statements, all proprietary and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

For the proprietary funds, the statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds present a statement of revenues, expenses and changes in fiduciary net position which reports additions to and deductions from investment trust, private purpose trust funds, and custodial funds.

Basis of Accounting

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

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported in the government-wide statement of net position for pension and OPEB and the business-type activities also have asset retirement obligations. The deferred outflows of resources related to asset retirement obligations is originally measured at the amount of the corresponding liability. This amount is expensed in a systematic and rational manner over the tangible asset's useful life. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2021, but which were levied to finance 2022 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statep32
ments. 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, charges for services, fees, licenses and permits, intergovernmental, special assessments and rentals. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 10 and 11)

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.

Pensions/Other Postemployment Benefits (OPEB)

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

Budgetary Process

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

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

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

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as “equity in pooled cash and cash equivalents”.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are reported as “cash and cash equivalents in segregated accounts” since they are not required to be deposited into the City Treasury.

During 2021, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted 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 an NAV per share that approximates fair value.

For 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of $100 million or more. STAR Ohio reserves the right to limit the transaction to $250 million per day, 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.

Interest earnings are allocated to City funds according to State statutes, City Charter, grant requirements, or debt related restrictions. Interest revenue credited to the general fund during 2021 was $894, none of which is assigned from other City funds.

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

Prepaid Items

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

Inventory

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

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 represent money set aside for unclaimed monies and amounts held on deposit for contractors.

Capital Assets

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

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

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

Description	Estimated Lives
Land Improvements	15 - 20 years
Buildings and Improvements	10 - 50 years
Machinery and Equipment	5 - 20 years
Infrastructure	20 - 50 years

The City's infrastructure consists of roads, sidewalks, sanitary sewers, storm sewers and traffic signals and does not include infrastructure acquired prior to December 31, 2004.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service. Since the City's policy limits the accrual of vacation time to one year from the employee's anniversary date, the outstanding liability is recorded as "vacation benefits payable" on the statement of net position rather than as a long-term liability.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees the City has identified as probable of receiving payment in the future (those employees with ten years or more of service). The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for employees after ten years of service with the City.

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 the proprietary fund are reported on the proprietary fund financial statements.

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

Fund Balance

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

> ***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.
>
> ***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).
>
> Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

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

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

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.

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for court improvements, police and fire safety forces and street repair and maintenance.

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

Operating Revenues and Expenses

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

Interfund Activity

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

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

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund balance 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.

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

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.

Unearned Revenue

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 the amounts have not yet been earned. The City recognizes unearned revenue from grants received before the eligibility requirements are met.

Note 3 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

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

3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).

4. Unreported cash represents amounts received but not included as revenue on the budgetary statements, but is reported on the operating statements prepared using GAAP.

5. Budgetary revenues and expenditures of the recreation 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 and major special revenue funds:

Net Change in Fund Balance

	General	Safety Forces
GAAP Basis	$300,354	$645,687
Net Adjustment for Revenue Accruals	(38,016)	5,066
Beginning Unrecorded Cash	12,460	67,564
Ending Unrecorded Cash	(11,902)	(69,063)
Net Adjustment for Expenditure Accruals	192,675	(1,165)
Perspective Difference:		
Recreation	(1,036)	0
Encumbrances	(477,303)	(525,109)
Budget Basis	($22,768)	$122,980

Note 4 - Deposits and Investments

The City has chosen to follow State statutes and classify monies held by the City into three categories.

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

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

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

Interim monies held by the City can be deposited or invested in the following securities:

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

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

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

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

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

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

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

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

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.

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

The City has passed an ordinance allowing the City to invest monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;

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

3. Obligations of the City.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2021, $3,111,128 of the City's total bank balance of $8,029,844 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the City's financial institutions participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 60 percent resulting in the uninsured and uncollateralized balance.

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

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

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

Investments

As of December 31, 2021, the City had STAR Ohio as an investment. STAR Ohio is being held with an amount of $2,211,949 which is valued at net asset value per share. The average maturity is 51.3 days.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within two years from the date of purchase if they have a variable interest rate and five years for investments that have a fixed rate and 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. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk STAR Ohio carries a rating of Aaa by Moody's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The City has no investment policy that addresses credit risk.

Concentration of Credit Risk. The City places no limit on the amount it may invest in any one issuer.

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 fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Safety Forces	General Obligation Bond Retirement	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Unclaimed Monies	$24,664	$0	$0	$0	$24,664
Inventory	3,765	20,058	0	33,432	57,255
Prepaids	167,541	0	0	0	167,541
Total Nonspendable	195,970	20,058	0	33,432	249,460
Restricted for					
Veterans Memorial	0	0	0	1,144	1,144
Police Pension	0	0	0	36,246	36,246
Public Safety	0	1,521,240	0	303,488	1,824,728
Street Maintenance	0	0	0	1,154,537	1,154,537
Enforcement and Education	0	0	0	52,702	52,702
Debt Service Payments	0	0	211,215	0	211,215
Capital Improvements	0	0	0	204,263	204,263
Total Restricted	0	1,521,240	211,215	1,752,380	3,484,835
Committed to					
Termination Pay	23,218	0	0	0	23,218
Underground Storage	11,000	0	0	0	11,000
Parks and Recreation	0	0	0	34,901	34,901
Assistance to Seniors	0	0	0	32,902	32,902
Capital Improvements	0	0	0	674,069	674,069
Total Committed	34,218	0	0	741,872	776,090
Assigned to					
Recreation	19,997	0	0	0	19,997
Purchases on Order:					
Personal Services	9,639	0	0	0	9,639
Fringe Benefits	7,606	0	0	0	7,606
Contractual Services	148,764	0	0	0	148,764
Total Assigned	186,006	0	0	0	186,006
Unassigned (Deficit)	2,890,007	0	0	(2,950)	2,887,057
Total Fund Balances	$3,306,201	$1,541,298	$211,215	$2,524,734	$7,583,448

Note 6 - Receivables

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

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

Special assessments expected to be collected in more than one year amount to $3,697,477 in the general obligation bond retirement fund. At December 31, 2021, the amount of delinquent special assessments was $12,235.

Property Taxes

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

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

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

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

The full tax rate for all City operations for the year ended December 31, 2021, was $7.30 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2021 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	$238,217,864
Other Real Estate	56,668,652
Tangible Personal Property	
Public Utility	6,778,509
Total Assessed Values	$301,665,025

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

Income Taxes

The City levies a municipal income tax of two percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside the City. On November 2, 2010, a majority of the electors voted to approve an amendment to the city charter which increased the income tax rate to two percent from one and one half percent effective January 1, 2011. The amendment further stipulates that any and all income above one and one half percent up to two percent of income tax paid on income earned within the City and net profits shall be exclusively used to support the City's safety forces. The City allows a credit of one hundred percent for income tax paid to another municipality up to the total amount owed to the City. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

The Regional Income Tax Agency administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of approximately 3 percent. Taxes collected by RITA in one month are remitted to the City on the first and fifteenth business days of the following month. Income tax revenue is credited to the general fund and safety forces special revenue fund.

Intergovernmental Receivable

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Local Government	$274,489
Gas Excise Tax	250,595
Lake County	108,638
Homestead and Rollback	104,039
Motor Vehicle License Tax	68,570
Ohio Attorney General	9,474
Willoughby-Eastlake Public Library	7,672
Lake County Stone Grant	4,760
Willoughby Municipal Court	2,318
Total Governmental Activities	$830,555
Business-Type Activity	
Lake County	$91,377

Note 7 – Interfund Transfers and Balances and Internal Balances

Interfund Transfers

Transfers made during the year ended December 31, 2021 were as follows:

	Transfer From		
Transfer To	General	Other Governmental Funds	Total
Major Funds			
Safety Forces	$4,557,800	$0	$4,557,800
General Obligation Bond Retirement	0	5,000	5,000
Total Major Funds	4,557,800	5,000	4,562,800
Other Governmental Funds			
Pleasant Valley Bridge	0	15,000	15,000
Park Maintenance	0	5,380	5,380
Recreation Improvement	4,582	0	4,582
Total Other Governmental Funds	4,582	20,380	24,962
Total Governmental Activities	$4,562,382	$25,380	$4,587,762

The general fund made transfers to the safety forces special revenue fund and the recreation improvement capital projects fund to provide additional resources for current operations. The street construction, maintenance and repair special revenue fund made a transfer to the pleasant valley bridge capital projects fund for its portion of the enacted $5 motor vehicle license fees. The road levy special revenue fund made a transfer to the general obligation bond retirement debt service fund for debt payment requirements. The Garfield Park special revenue fund made a transfer to the park maintenance special revenue fund to close out the fund.

Interfund Balances

The interfund balance at December 31, 2021, consists of an interfund receivable/payable between the law enforcement grants and law enforcement trust special revenue funds in the amount of $2,950. This loan was made to subsidize grant funding until it could be secured.

Internal Balances – Change in Proportionate Share

The City uses an internal proportionate share to allocate its net pension/OPEB liability (asset) and corresponding deferred outflows/inflows of resources and pension/OPEB expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension/OPEB deferred outflows/inflows of resources in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position, thus allowing the total column to present the change in proportionate share for the City as a whole.

Eliminations made in the total column of the entity wide statement of net position include deferred outflows of resources for the business type activities and deferred inflows of resources for the governmental activities in the amount of $50 for pension.

Note 8 - Capital Assets

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

	Balance 12/31/2020	Additions	Reductions	Balance 12/31/2021
Governmental Activities:				
Capital assets not being depreciated				
Land	$729,700	$0	$0	$729,700
Construction in progress	13,961	505,875	(50,017)	469,819
Total capital assets not being depreciated	743,661	505,875	(50,017)	1,199,519
Capital assets being depreciated				
Land Improvements	1,211,144	11,884	0	1,223,028
Buildings and Improvements	8,540,185	72,452	(9,000)	8,603,637
Machinery and Equipment	7,743,444	490,746	0	8,234,190
Infrastructure	10,866,914	532,269	(19,936)	11,379,247
Total capital assets being depreciated	28,361,687	1,107,351	(28,936)	29,440,102
Less: Accumulated depreciation				
Land Improvements	(1,041,553)	(35,554)	0	(1,077,107)
Buildings and Improvements	(4,325,268)	(167,123)	600	(4,491,791)
Machinery and Equipment	(5,083,700)	(464,060)	0	(5,547,760)
Infrastructure	(2,436,460)	(426,595)	6,391	(2,856,664)
Total accumulated depreciation	(12,886,981)	(1,093,332) *	6,991	(13,973,322)
Capital assets being depreciated, net	15,474,706	14,019	(21,945)	15,466,780
Governmental activities capital assets, net	$16,218,367	$519,894	($71,962)	$16,666,299

*Depreciation expense was charged to governmental activities as follows:

General Government	$97,528
Security of Persons and Property	
Police	140,123
Fire	181,652
Transportation	600,299
Leisure Time Activities	73,730
Total	$1,093,332

	Balance 12/31/2020	Additions	Reductions	Balance 12/31/2021
Business-type activities:				
Capital assets not being depreciated				
Land	$268,613	$0	$0	$268,613
Construction in Progress	23,810	136,870	(160,680)	0
Total capital assets not being depreciated	292,423	136,870	(160,680)	268,613
Capital assets being depreciated				
Machinery and Equipment	854,799	117,277	0	972,076
Infrastructure	22,820,889	287,793	0	23,108,682
Total capital assets being depreciated	23,675,688	405,070	0	24,080,758
Less: Accumulated depreciation				
Machinery and Equipment	(436,930)	(73,493)	0	(510,423)
Infrastructure	(6,233,955)	(476,800)	0	(6,710,755)
Total accumulated depreciation	(6,670,885)	(550,293)	0	(7,221,178)
Capital assets being depreciated, net	17,004,803	(145,223)	0	16,859,580
Business-type activities capital assets, net	$17,297,226	($8,353)	($160,680)	$17,128,193

Note 9 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During 2021, the City participated in the Public Entities Pool of Ohio with USI Insurance Services acting as the City's agent for the following types of insurance:

Type	Coverage
Buildings	$16,262,265
Personal Property	2,225,998
Third Party Legal Liability	11,000,000 per occurrence
Vehicle Liability	11,000,000 per occurrence
Law Enforcement Liability	11,000,000 per occurrence
Wrongful Acts Liability	11,000,000 per occurrence
Employee Benefit Liability	1,000,000 aggregate

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

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

Note 10 - Defined Benefit Pension Plans

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

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

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a *net pension/OPEB asset* or a long-term *net pension/OBEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For 2021, the City's contractually required contribution was $187,210 for the traditional plan and $2,109 for the combined plan. Of these amounts, $19,199 is reported as an intergovernmental payable for the traditional plan and $216 for the combined plan.

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

City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org 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 after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

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

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

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

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

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

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $663,516 for 2021. Of this amount, $74,923 is reported as an intergovernmental payable.

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

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

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.0100150%	0.0032800%	0.1203954%	
Prior Measurement Date	0.0111350%	0.0033490%	0.1134192%	
Change in Proportionate Share	-0.0011200%	-0.0000690%	0.0069762%	
Proportionate Share of the:				
Net Pension Liability	$1,483,004	$0	$8,207,462	$9,690,466
Net Pension Asset	0	(9,469)	0	(9,469)
Pension Expense	(173,729)	251	811,344	637,866

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

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	$0	$0	$343,100	$343,100
Changes of assumptions	0	591	137,643	138,234
Changes in proportion and differences between City contributions and proportionate share of contributions	36,134	163	491,804	528,101
City contributions subsequent to the measurement date	187,210	2,109	663,516	852,835
Total Deferred Outflows of Resources	$223,344	$2,863	$1,636,063	$1,862,270
Deferred Inflows of Resources				
Differences between expected and actual experience	$62,035	$1,787	$319,738	$383,560
Net difference between projected and actual earnings on pension plan investments	578,031	1,408	398,116	977,555
Changes in proportion and differences between City contributions and proportionate share of contributions	154,217	94	60,315	214,626
Total Deferred Inflows of Resources	$794,283	$3,289	$778,169	$1,575,741

$852,835 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2022	($310,171)	($669)	$111,049	($199,791)
2023	(133,518)	(418)	259,233	125,297
2024	(235,626)	(746)	(280,373)	(516,745)
2025	(78,834)	(339)	44,353	(34,820)
2026	0	(142)	60,116	59,974
Thereafter	0	(221)	0	(221)
Total	($758,149)	($2,535)	$194,378	($566,306)

Actuarial Assumptions – OPERS

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

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2020, are presented as follows:

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

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

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

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

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

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

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

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

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability (asset):			
OPERS Traditional Plan	$2,828,837	$1,483,004	$363,945
OPERS Combined Plan	(6,593)	(9,469)	(11,611)

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

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Assumptions considered are: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

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

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

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2020, are summarized as follows:

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

Note: Assumptions are geometric.
* levered 2.5x

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

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	$11,425,839	$8,207,462	$5,514,006

Note 11 – Defined Benefit OPEB Plans

See Note 10 for a description of the net OPEB liability (asset).

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

The 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 will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2020, measurement date health care valuation.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced later for additional information.

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

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $2,190 for 2021. Of this amount, $225 is reported as an intergovernmental payable.

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

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

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

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

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

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

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

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

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

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

The City's contractually required contribution to OP&F was $15,862 for 2021. Of this amount, $1,756 is reported as an intergovernmental payable.

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

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2020, and was determined by rolling forward the total OPEB liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.0102200%	0.1203954%	
Prior Measurement Date	0.0112640%	0.1134192%	
Change in Proportionate Share	-0.0010440%	0.0069762%	
Proportionate Share of the:			
Net OPEB Liability	$0	$1,275,609	$1,275,609
Net OPEB Asset	(182,076)	0	(182,076)
OPEB Expense	(1,208,392)	134,436	(1,073,956)

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

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Changes of assumptions	$89,512	$704,705	$794,217
Changes in proportion and differences between City contributions and proportionate share of contributions	36,257	114,754	151,011
City contributions subsequent to the measurement date	2,190	15,862	18,052
Total Deferred Outflows of Resources	$127,959	$835,321	$963,280
Deferred Inflows of Resources			
Differences between expected and actual experience	$164,324	$210,408	$374,732
Changes of assumptions	295,020	203,356	498,376
Net difference between projected and actual earnings on OPEB plan investments	96,977	47,404	144,381
Changes in proportion and differences between City contributions and proportionate share of contributions	91,225	25,851	117,076
Total Deferred Inflows of Resources	$647,546	$487,019	$1,134,565

$18,052 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase to the net OPEB asset in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2022	($264,512)	$66,647	($197,865)
2023	(203,696)	77,872	(125,824)
2024	(42,142)	60,174	18,032
2025	(11,427)	67,599	56,172
2026	0	27,926	27,926
Thereafter	0	32,222	32,222
Total	($521,777)	$332,440	($189,337)

Actuarial Assumptions – OPERS

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

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

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

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

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

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

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

Discount Rate A single discount rate of 6.0 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.00 percent (Fidelity Index's "20-Year Municipal GO AA Index"). The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
City's proportionate share of the net OPEB asset	($45,275)	($182,076)	($294,540)

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 percent lower or 1.0 percent higher than the current rate.

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB asset	($186,515)	($182,076)	($177,113)

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

Actuarial Assumptions – OP&F

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

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

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

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

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

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

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

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

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

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

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

Discount Rate For 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.12 percent at December 31, 2020 and 2.75 percent at December 31, 2019, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 2.96 percent for 2020 and 3.56 percent for 2019. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected

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

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 2.96 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.96 percent), or one percentage point higher (3.96 percent) than the current rate.

	1% Decrease (1.96%)	Current Discount Rate (2.96%)	1% Increase (3.96%)
City's proportionate share of the net OPEB liability	$1,590,611	$1,275,609	$1,015,769

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 12 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation at different rates which are affected by length of service. At the time of separation the employee is entitled to payment for any earned but unused vacation. Sick leave is accrued at the rate of 4.6 hours for each 80 hours of completed service, including paid holidays and paid vacation. Administrative employees can accumulate up to a maximum of 1,200 hours of sick leave. Police, dispatch and service employees can accumulate up to a maximum of 1,200 hours of sick leave. Fire department employees have a maximum sick leave accumulation of 1,440 hours. Upon retirement, employees are paid for all vacation and sick days they have accumulated.

Health Care Benefits

Medical/surgical and prescription insurance is offered to employees through Anthem Blue Access. Vision is offered through Vision Service Plan (VSP), and dental insurance is offered through Principal Dental. Deductibles are covered by Gap Insurance through Morgan White Premium Saver.

For 2021 the cost per month for health care was as follows:

	Employee Only	Employee Plus Spouse	Employee Plus Children	Family
Anthem Blue Access	$600.68	$1,320.28	$1,013.95	$1,854.29
VSP - Vision Plan	8.53	14.36	14.66	23.63
Principal Buy-Up - Dental	40.76	82.93	99.47	147.48

The employee payroll deduction for the Anthem Blue Access, VSP and Principal Buy-Up Dental is 15 percent of the above figures for police, fire and union employees and 12 percent of the above figures for AFSCME union and non-union full time employees.

Life Insurance

Life insurance is provided to full-time employees through Principal Financial. Full-time employees receive $25,000 term life coverage. The City pays the total monthly premium.

Note 13 - Long-term Obligations

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

Debt Issue	Interest Rate	Original Issue Amount	Year of Maturity
Governmental Activities			
General Obligation Bonds:			
Municipal Complex Improvement - 2004	4.11%	$1,200,000	2021
Ohio Public Works Commission Loan from Direct Borrowing:			
Rogers Road Slope Restoration - 2012	0.00%	50,000	2023
Ohio Water Development Authority Loans from Direct Borrowings:			
Oak Street Sewers - 2002	3.64%	232,330	2022
Euclid Creek Interceptor - 2003	3.03%	3,900,762	2025
Euclid Creek Sewers - 2005	3.25%	7,514,692	2027
Woodlands Sanitary Sewers - 2006	3.25%	501,651	2027
Sewer Laterals - 2007	4.17%	140,985	2027
Euclid Creek Tributary Watershed Area C - 2006	3.25%	3,244,473	2032
Business Type Activity			
Ohio Water Development Authority Loans from Direct Borrowings:			
Euclid Creek Interceptor - 2003	3.03%	3,900,762	2025
Euclid Creek Sewers - 2005	3.25%	7,514,692	2027
Ohio Public Works Commission Loans from Direct Borrowings:			
Euclid Interceptor - 2005	0.00%	500,000	2026
Euclid Sewer Phase II - 2006	0.00%	249,000	2027

Changes in long-term obligations of the City during 2021 were as follows:

	Outstanding 12/31/2020	Additions	Reductions	Outstanding 12/31/2021	Due Within One Year
Governmental Type Activities					
General Obligation Bonds					
Municipal Complex Improvement	$100,000	$0	$100,000	$0	$0
OPWC Loan from Direct Borrowing					
Rogers Road Slope Restoration	17,500	0	7,500	10,000	5,000
OWDA Loans from Direct Borrowings paid with Assessments					
Oak Street Sewers	31,465	0	15,449	16,016	16,016
Euclid Creek Interceptor	216,638	0	43,898	172,740	45,220
Euclid Creek Sewers	2,354,061	0	304,658	2,049,403	314,641
Woodlands Sanitary Sewers	213,255	0	27,599	185,656	28,504
Sewer Laterals	62,950	0	7,919	55,031	8,252
Euclid Creek Tributary Watershed Area C	1,996,100	0	154,395	1,841,705	159,454
Total OWDA Loans	4,874,469	0	553,918	4,320,551	572,087
Other Long-term Obligations					
Net Pension Liability:					
OPERS	2,068,855	0	674,829	1,394,026	0
OP&F	7,640,523	566,939	0	8,207,462	0
Total Net Pension Liability	9,709,378	566,939	674,829	9,601,488	0
Net OPEB Liability:					
OPERS	1,462,497	0	1,462,497	0	0
OP&F	1,120,323	155,286	0	1,275,609	0
Total Net OPEB Liability	2,582,820	155,286	1,462,497	1,275,609	0
Compensated Absences	467,143	153,734	135,629	485,248	165,697
Total Other Long-term Obligations	12,759,341	875,959	2,272,955	11,362,345	165,697
Total Governmental Type Activities	$17,751,310	$875,959	$2,934,373	$15,692,896	$742,784
Business-Type Activity					
OWDA Loans from Direct Borrowings					
Euclid Creek Interceptor	$875,696	$0	$186,232	$689,464	$191,935
Euclid Creek Sewers	840,496	0	108,776	731,720	112,340
Total OWDA Loans	1,716,192	0	295,008	1,421,184	304,275
OPWC Loans from Direct Borrowings					
Euclid Interceptor	150,000	0	37,500	112,500	25,000
Euclid Sewer Phase II	87,150	0	18,675	68,475	12,450
Total OPWC Loans	237,150	0	56,175	180,975	37,450
Other Long-term Obligations					
Asset Retirement Obligation	20,000	0	0	20,000	0
Net Pension Liability - OPERS	132,053	0	43,075	88,978	0
Net OPEB Liability - OPERS	93,354	0	93,354	0	0
Total Other Long-term Obligations	245,407	0	136,429	108,978	0
Total Business-Type Activity	$2,198,749	$0	$487,612	$1,711,137	$341,725

OWDA Loans Ohio Water Development Authority (OWDA) loans from direct borrowings consist of money owed to OWDA for sewer improvements. The OWDA loans for the Oak Street, Euclid Interceptor, Euclid Creek Sewers, Woodlands Sewers, Sewer Laterals and Euclid Creek Tributary Watershed Area C loans are paid from the general obligation bond retirement fund with special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The OWDA loan for the City's portion of the Euclid Creek Interceptor and Euclid Creek Sewers is paid from the sewer enterprise fund with user charges.

The City's outstanding OWDA loans from direct borrowings of $4,320,551 related to governmental activities and $1,421,184 related to business-type activities contain a provision that in an event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

OPWC Loans OPWC loans from direct borrowings consist of money owed to the Ohio Public Works Commission for the Rogers Road slope restoration and sewer improvements. The loans are interest free. OPWC loans will be paid from the road levy special revenue fund and the sewer enterprise fund.

The City's outstanding OPWC loans from direct borrowings of $10,000 related to governmental activities and $180,975 related to business-type activities contain a provision that in an event of default, (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, the OPWC may require that such payment be taken from the City's share of the City undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

The City has pledged future revenues to repay OWDA and OPWC loans in the sewer fund. The debt is payable solely from net revenues and is payable through 2027. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Total principal and interest remaining to be paid on finalized loans is $1,698,434. Principal and interest paid for the current year and total net revenues were $394,527 and $724,824, respectively.

Compensated Absences Compensated absences will be paid from the general fund.

Asset Retirement Obligation The asset retirement obligation will be paid from the sewer fund.

Net Pension/OPEB Liability There is no repayment schedule for the net pension liability and net OPEB liability. However, employer pension and OPEB contributions are made from the following funds: the general fund, the court improvement, safety forces, fire levy, street construction, maintenance and repair, road levy, park maintenance special revenue funds and the sewer enterprise fund. For additional information related to the net pension and net OPEB liabilities see Notes 10 and 11.

The City's overall legal debt margin was $31,886,043 with an unvoted debt margin of $16,802,791 at December 31, 2021.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2021, are as follows:

Governmental Activities:

	From Direct Borrowings		
	OWDA Loans		OPWC Loans
Year	Principal	Interest	Principal
2022	$572,087	$134,650	$5,000
2023	574,248	116,606	5,000
2024	593,018	98,349	0
2025	595,930	79,492	0
2026	581,510	60,763	0
2027-2031	1,403,758	111,172	0
Total	$4,320,551	$601,032	$10,000

Business-Type Activity:

	From Direct Borrowings		
	OWDA Loans		OPWC Loans
Year	Principal	Interest	Principal
2022	$304,275	$35,179	$37,450
2023	313,833	26,760	37,450
2024	323,694	18,075	37,450
2025	219,590	9,119	37,450
2026	127,801	5,053	24,950
2027	131,991	2,089	6,225
Total	$1,421,184	$96,275	$180,975

Note 14 - Contingencies

Grants

The City receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2021.

Litigation

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

Note 15 - Jointly Governed Organization

The Northeast Ohio Public Energy Council

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 235 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Willoughby Hills did not contribute to NOPEC during 2021. Financial information can be obtained by contacting Ronald McVoy, Board Chairman, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

Regional Income Tax Agency

The Regional Income Tax Agency (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 income taxes on behalf of each member. RITA currently has approximately 350 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. For 2021, the City paid RITA $215,349 for income tax collection services.

Note 16 – Encumbrances

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

Governmental Funds:	
General	$477,303
Safety Forces	525,109
Other Governmental Funds	294,578
Business-Type Fund:	
Sewer	282,489
Total	$1,579,479

Note 17 – Tax Abatement Disclosures

As of December 31, 2021, the City of Willoughby Hills provides tax incentive through the State of Ohio's Community Reinvestment Area Program authorized by Section 3735 of the Ohio Revised Code.

Real Estate Tax Abatements

Pursuant to Ohio Revised Code Chapter 5709, the City established a Community Reinvestment area in 2006 which includes all land within the boundaries of the City of Willoughby Hills. The City of Willoughby Hills authorizes incentives through passage of public ordinances, based upon each business' investment criteria, and through a contractual application process with each business, including proof that the improvement has 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 by the Lake County Auditor.

The establishment of the Community Reinvestment Area gives the City the ability to maintain and expand businesses located in Willoughby Hills and create new jobs by abating or reducing assessed valuation of properties. This results in additional tax revenue for the City and the School District compared to the amount paid by property before being improved while abating a portion of the property taxes which result from the new and/or improved business real estate. The City of Willoughby Hills also will contract with the Willoughby-Eastlake City School District when required by Section 5709.82 of the Ohio Revised Code for payments in lieu of taxes. To date, the City has not been required to enter into any revenue sharing agreements with the School District.

City Council's incentive criteria for decision making

The City of Willoughby Hills has offered CRA abatements to two businesses based upon substantial project investment into the City. Below is the information relevant to the disclosure of those programs for the year ended December 31, 2021.

Tax Abatement Program	Total Amount of Taxes Abated (Incentives Abated) for the year 2021 (In Actual Dollars)
Community Reinvestment Area (CRA)	
- Retail	$258
- Veterinarian Rehabilitation Facility	1,649
- Senior Congregate Care	6,564

Note 18 – Public Entity Risk Pool

Risk Sharing Authority

Property and Liability

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2020 (the latest information available), the Pool retained $500,000 for casualty claims and $250,000 for property claims. The Board of Directors and York periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain. The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective PEP member.

Financial Position

PEP's financial statements (for which an independent audit is still ongoing) conform to generally accepted accounting principles, and preliminarily show the following assets, liabilities and net position at December 31, 2020 (the latest information available):

Casualty and Property Coverage	2020
Assets	$40,318,971
Liabilities	14,111,510
Net Position - Unrestricted	$26,207,461

At December 31, 2020 (the latest information available), the liabilities above include unknown amounts of estimated incurred claims payable. The casualty coverage assets and net position above include approximately $13.7 million of unpaid claims to be billed to approximately 571 member governments in the future, as of December 31, 2020. These amounts will be included in future contributions from members when the related claims are due for payment. This payable includes subsequent year's contributions due if the City terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

This was the seventh year the City was a member of the PEP. The contribution for 2021 was $86,335.

After completing one year of membership, members may withdraw on each anniversary date of the date they joined PEP, provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligations to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to withdrawal.

Note 19 – Asset Retirement Obligations

The Governmental Accounting Standard Board's (GASB) Statement No. 83, *Certain Asset Retirement Obligations,* provides guidance related to asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the City would be responsible to address any public safety issues associated with their waste water treatment facilities. These public safety issues would include removing/filling any tankage, cleaning/removing certain equipment, and backfilling certain exposed areas. This asset retirement obligation (ARO) of $20,000 associated with the City waste water treatment facilities was estimated by the City engineer. The remaining useful life of these facilities range from 1 to 48 years.

Note 20 – COVID-19

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

Note 21 – Accountability

As of December 31, 2021, the law enforcement grants special revenue fund had a deficit fund balance of $2,950. The special revenue fund had a deficit due to a short-term loan from the law enforcement trust special revenue fund needed for operations until the receipt of grant monies. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur.

Note 22 – Change in Accounting Principle

The City is implementing Implementation Guide No. 2019-1. These changes were incorporated in the City's 2021 financial statements; however, there was no effect on beginning net position/fund balance.

Note 23 – Subsequent Event

On April 14, 2022, the City issued $1,640,000 of direct placement general obligation bonds for a 15 year term and for an interest rate of 2.34 percent. $1,025,000 is for a fire truck acquisition and $615,000 is for a salt shed storage facility.

Required Supplementary Information

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

	2021	2020	2019	2018
City's Proportion of the Net Pension Liability	0.0100150%	0.0111350%	0.0103670%	0.0133910%
City's Proportionate Share of the Net Pension Liability	$1,483,004	$2,200,908	$2,839,311	$2,100,788
City's Covered Payroll	$1,410,079	$1,419,907	$1,540,686	$1,775,877
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	105.17%	155.00%	184.29%	118.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.88%	82.17%	74.70%	84.66%

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

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

See accompanying notes to the required supplementary information.

2017	2016	2015	2014
0.0144700%	0.0141460%	0.0144540%	0.0144540%
$3,285,891	$2,450,266	$1,743,290	$1,703,915
$1,870,633	$1,760,608	$1,772,050	$1,857,679
175.66%	139.17%	98.38%	91.72%
77.25%	81.08%	86.45%	86.36%

City of Willoughby Hills, Ohio

Required Supplementary Information

Schedule of the City's Proportionate Share of the

Net Pension Asset

Ohio Public Employees Retirement System - Combined Plan

Last Four Years (1)

	2021	2020	2019	2018
City's Proportion of the Net Pension Asset	0.0032800%	0.0033490%	0.0032440%	0.0033150%
City's Proportionate Share of the Net Pension Asset	$9,469	$6,984	$3,627	$4,512
City's Covered Payroll	$14,664	$14,907	$13,879	$13,577
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-64.57%	-46.85%	-26.13%	-33.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	157.67%	145.28%	126.64%	137.28%

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

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

See accompanying notes to the required supplementary information.

City of Willoughby Hills, Ohio

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

	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability (Asset)	0.0102200%	0.0112640%	0.0100890%	0.0130000%	0.0140600%
City's Proportionate Share of the Net OPEB Liability (Asset)	($182,076)	$1,555,851	$1,315,367	$1,411,704	$1,420,108
City's Covered Payroll	$1,544,493	$1,501,514	$1,646,365	$1,848,504	$1,942,508
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-11.79%	103.62%	79.90%	76.37%	73.11%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	47.80%	46.33%	54.14%	54.04%

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

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

See accompanying notes to the required supplementary information.

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

	2021	2020	2019	2018
City's Proportion of the Net Pension Liability	0.1203954%	0.1134192%	0.1145210%	0.1122650%
City's Proportionate Share of the Net Pension Liability	\$8,207,462	\$7,640,523	\$9,347,939	\$6,890,210
City's Covered Payroll	\$3,109,300	\$2,663,074	\$2,687,082	\$2,488,142
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	263.96%	286.91%	347.88%	276.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.65%	69.89%	63.07%	70.91%

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

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

See accompanying notes to the required supplementary information.

2017	2016	2015	2014
0.1129650%	0.1094090%	0.1081730%	0.1081730%
$7,155,090	$7,038,359	$5,603,803	$5,268,355
$2,374,764	$2,269,951	$2,200,222	$2,126,908
301.30%	310.07%	254.69%	247.70%
68.36%	66.77%	71.71%	73.00%

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

	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.1203954%	0.1134192%	0.1145210%	0.1122650%	0.1129650%
City's Proportionate Share of the Net OPEB Liability	$1,275,609	$1,120,323	$1,042,889	$6,360,779	$5,362,195
City's Covered Payroll	$3,109,300	$2,663,074	$2,687,082	$2,488,142	$2,374,764
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	41.03%	42.07%	38.81%	255.64%	225.80%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	45.42%	47.08%	46.57%	14.13%	15.96%

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

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

See accompanying notes to the required supplementary information.

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City of Willoughby Hills, Ohio

Required Supplementary Information

Schedule of the City's Contributions

Ohio Public Employees Retirement System

Last Nine Years (1)

	2021	2020	2019
Net Pension Liability - Traditional Plan			
Contractually Required Contribution	$187,210	$197,411	$198,787
Contributions in Relation to the Contractually Required Contribution	(187,210)	(197,411)	(198,787)
Contribution Deficiency (Excess)	$0	$0	$0
City Covered Payroll	$1,337,214	$1,410,079	$1,419,907
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%
Net Pension Liability - Combined Plan			
Contractually Required Contribution	$2,109	$2,053	$2,087
Contributions in Relation to the Contractually Required Contribution	(2,109)	(2,053)	(2,087)
Contribution Deficiency (Excess)	$0	$0	$0
City Covered Payroll	$15,064	$14,664	$14,907
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%
Net OPEB Liability - OPEB Plan (2)			
Contractually Required Contribution	$2,190	$4,790	$2,668
Contributions in Relation to the Contractually Required Contribution	(2,190)	(4,790)	(2,668)
Contribution Deficiency (Excess)	$0	$0	$0
City Covered Payroll (3)	$1,407,028	$1,544,493	$1,501,514
OPEB Contributions as a Percentage of Covered Payroll	0.16%	0.31%	0.18%

(1) Information prior to 2013 is not available for traditional and combined plans.
(2) Information prior to 2016 is not available for the OPEB plan.
(3) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See accompanying notes to the required supplementary information.

2018	2017	2016	2015	2014	2013
$215,696	$230,864	$224,476	$211,273	$212,646	$241,498
(215,696)	(230,864)	(224,476)	(211,273)	(212,646)	(241,498)
$0	$0	$0	$0	$0	$0
$1,540,686	$1,775,877	$1,870,633	$1,760,608	$1,772,050	$1,857,679
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
$1,943	$1,765	$1,593	$1,430	$812	$923
(1,943)	(1,765)	(1,593)	(1,430)	(812)	(923)
$0	$0	$0	$0	$0	$0
$13,879	$13,577	$13,275	$11,917	$6,767	$7,100
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
$3,672	$20,257	$40,022			
(3,672)	(20,257)	(40,022)			
$0	$0	$0			
$1,646,365	$1,848,504	$1,942,508			
0.22%	1.10%	2.06%			

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

	2021	2020	2019	2018
Net Pension Liability				
Contractually Required Contribution	$663,516	$644,874	$549,369	$551,654
Contributions in Relation to the Contractually Required Contribution	(663,516)	(644,874)	(549,369)	(551,654)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll (1)	$3,172,454	$3,109,300	$2,663,074	$2,687,082
Pension Contributions as a Percentage of Covered Payroll	20.91%	20.74%	20.63%	20.53%
Net OPEB Liability				
Contractually Required Contribution	$15,862	$15,547	$13,316	$13,436
Contributions in Relation to the Contractually Required Contribution	(15,862)	(15,547)	(13,316)	(13,436)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%
Total Contributions as a Percentage of Covered Payroll	21.41%	21.24%	21.13%	21.03%

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

See accompanying notes to the required supplementary information.

2017	2016	2015	2014	2013	2012
$511,058	$491,025	$468,382	$452,696	$372,776	$303,227
(511,058)	(491,025)	(468,382)	(452,696)	(372,776)	(303,227)
$0	$0	$0	$0	$0	$0
$2,488,142	$2,374,764	$2,269,951	$2,200,222	$2,126,908	$2,098,533
20.54%	20.68%	20.63%	20.58%	17.53%	14.45%
$12,441	$11,873	$11,349	$11,001	$76,923	$141,651
(12,441)	(11,873)	(11,349)	(11,001)	(76,923)	(141,651)
$0	$0	$0	$0	$0	$0
0.50%	0.50%	0.50%	0.50%	3.62%	6.75%
21.04%	21.18%	21.13%	21.08%	21.15%	21.20%

Changes in Assumptions – OPERS Pension– Traditional Plan

Amounts reported beginning in 2019 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in prior years are presented below:

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

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

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

2021	0.5 percent, simple through 2021 then 2.15 percent, simple
2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple

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

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

Changes in Assumptions – OPERS Pension – Combined Plan

For 2021 and 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013 retirees as the Traditional Plan. For 2019, the investment rate of return changed from 7.5 percent to 7.2 percent.

Changes in Assumptions – OP&F Pension

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

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

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

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

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

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

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

Changes in Assumptions – OPERS OPEB

Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2021	8.5 percent, initial
	3.5 percent, ultimate in 2035
2020	10.5 percent, initial
	3.5 percent, ultimate in 2030
2019	10.0 percent, initial
	3.25 percent, ultimate in 2029
2018	7.5 percent, initial
	3.25 percent, ultimate in 2028

Changes in Assumptions – OP&F OPEB

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

Changes in Benefit Terms – OPERS OPEB

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in 2021.

Changes in Benefit Terms – OP&F OPEB

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

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 City Council
City of Willoughby Hills
Lake County, Ohio
35405 Chardon Road
Willoughby Hills, Ohio 44094

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Willoughby Hills, Lake County, Ohio (the City), as of and for the year ended December 31, 2021, 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.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Rea & Associates, Inc.
Medina, Ohio
June 27, 2023

CITY OF WILLOUGHBY HILLS
LAKE COUNTY, OHIO

REGULAR AUDIT

FOR THE YEAR ENDED
DECEMBER 31, 2022

Rea & associates

www.reacpa.com

City of Willoughby Hills
Lake County, Ohio
December 31, 2022
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City of Willoughby Hills
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Rea & associates a brighter way

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Willoughby Hills
Lake County, Ohio
35405 Chardon Road
Willoughby Hills, Ohio 44094

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management’s Discussion and Analysis and Pension and other Post-Employment Benefit Schedules* 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 GAAS, 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.

Rea & Associates, Inc.

Rea & Associates, Inc.
Medina, Ohio
June 27, 2023

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The discussion and analysis of the City of Willoughby Hills' (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. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and notes to enhance their understanding of the City's financial performance.

Financial Highlights

- The City's overall financial position increased in 2022. Net position for both governmental activities and business-type activities increased mainly as a result of an increase in cash and cash equivalents and a decrease in the net pension liability. Cash and cash equivalents increased due to careful management of resources. Net position for governmental activities also increased due to an increase in capital assets resulting from current year additions exceeding annual depreciation and current year deletions. Net position for business-type activities also increased due to a decrease in long-term debt obligations resulting from annual debt service payments.

- In 2022, capital asset additions consisted of construction in progress, building improvements, land improvements, various equipment, vehicles, intangible right to use assets and road and sewer improvements.

- The City issued general obligation bonds in 2022 for the salt storage facility expansion project and for a new fire truck. These bonds were issued for a ten and fifteen year period with a final maturity during 2032 and 2037.

- The City implemented GASB 87 during fiscal year 2022 which resulted in the recording of leases payable related to copiers and the recording of leases receivable related to the City's cell tower agreements.

Using This Annual Financial Report

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

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

The City of Willoughby Hills as a Whole

Statement of Net Position and the Statement of Activities

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

The *statement of net position* presents information on all of the City of Willoughby Hills' assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between all the elements reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Willoughby Hills is improving or deteriorating. However, the analysis on the City's condition must also look at the City's tax base, property tax valuation and the condition of the City's assets.

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

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

Reporting the City's Most Significant Funds

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

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, safety forces fund, road levy and the general obligation bond retirement fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds The City's only proprietary fund is the sewer system. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources 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. The City's fiduciary fund is a custodial fund.

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

The City as a Whole

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

*Note, amounts presented in Table 1 are after deferred inflows and deferred outflows related to the change in internal proportionate share of pension-related items have been eliminated.

Table 1
Net Position

	Governmental Activities		Business-Type Activity		Total	
	2022	Restated 2021	2022	2021	2022*	Restated 2021*
Assets						
Current and Other Assets	$21,253,373	$18,531,261	$2,152,424	$1,790,722	$23,405,797	$20,321,983
Noncurrent Assets:						
Net Pension Asset	12,241	8,901	781	568	13,022	9,469
Net OPEB Asset	265,043	171,156	16,914	10,920	281,957	182,076
Capital Assets, Net	19,373,788	16,709,040	16,850,257	17,128,193	36,224,045	33,837,233
Total Assets	40,904,445	35,420,358	19,020,376	18,930,403	59,924,821	54,350,761
Deferred Outflows of Resources						
Pension	3,122,479	1,824,326	20,866	37,994	3,143,302	1,862,270
OPEB	786,217	940,035	66	23,245	786,283	963,280
Asset Retirement Obligation	0	0	18,000	18,400	18,000	18,400
Total Deferred Outflows of Resources	3,908,696	2,764,361	38,932	79,639	3,947,585	2,843,950
Liabilities						
Current Liabilities	1,809,877	1,504,478	536,395	289,908	2,346,272	1,794,386
Long-Term Liabilities						
Due Within One Year	867,906	753,224	351,283	341,725	1,219,189	1,094,949
Due in More Than One Year						
Net Pension Liability	8,437,159	9,601,488	48,003	88,978	8,485,162	9,690,466
Net OPEB Liability	1,348,315	1,275,609	0	0	1,348,315	1,275,609
Other Amounts	5,161,026	4,105,316	929,151	1,280,434	6,090,177	5,385,750
Total Liabilities	17,624,283	17,240,115	1,864,832	2,001,045	19,489,115	19,241,160
Deferred Inflows of Resources						
Property Taxes	1,831,069	1,821,091	0	0	1,831,069	1,821,091
Leases	1,224,828	1,014,591	0	0	1,224,828	1,014,591
Pension	3,513,909	1,527,799	67,730	47,992	3,581,596	1,575,741
OPEB	801,377	1,095,589	20,758	38,976	822,135	1,134,565
Total Deferred Inflows of Resources	7,371,183	5,459,070	88,488	86,968	7,459,628	5,545,988
Net Position						
Net Investment in Capital Assets	17,920,591	16,637,494	15,589,823	15,526,034	33,510,414	32,163,528
Restricted for:						
Capital Projects	338,329	223,068	0	0	338,329	223,068
Debt Service	279,911	343,562	0	0	279,911	343,562
Other Purposes	4,869,113	4,054,178	0	0	4,869,113	4,054,178
Pension Plans	11,071	8,605	611	438	11,682	9,043
Unrestricted (Deficit)	(3,601,340)	(5,781,373)	1,515,554	1,395,557	(2,085,786)	(4,385,816)
Total Net Position	$19,817,675	$15,485,534	$17,105,988	$16,922,029	$36,923,663	$32,407,563

The net pension liability (NPL) is one of the largest single liabilities reported by the City at December 31, 2022. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange; however, the City is not responsible for certain key factors affecting the balance of these liabilities.

In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB.

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

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

For the City, total net position for governmental activities increased due mainly to increases in both cash and cash equivalents and capital assets as well as to a decrease in the net pension liability. Cash and cash equivalents increased as a result of cash receipts outpacing cash disbursements by approximately $2.6 million from careful management of resources. Capital assets increased due to additions outpacing current year depreciation and deletions. The increase in net position was partially offset by increases to current liabilities and long-term debt related to the issuance of general obligation bonds.

Total net position for business-type activities showed an increase in net position attributed mainly to an increase in cash and cash equivalents due to cash receipts exceeding cash disbursements by approximately $428,000 from conservative spending. The increase in net position was also due to decreases in both the net pension liability and long-term debt obligations resulting from the continued paydown of debt.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current and prior years.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activity		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Charges for Services	$1,208,816	$1,087,420	$1,969,095	$1,905,084	$3,177,911	$2,992,504
Operating Grants and Contributions	2,308,585	1,280,235	0	0	2,308,585	1,280,235
Capital Grants, Contributions and Assessments	135,467	204,554	108,615	45,766	244,082	250,320
Total Program Revenues	3,652,868	2,572,209	2,077,710	1,950,850	5,730,578	4,523,059
General Revenues						
Property Taxes	1,909,624	1,776,866	0	0	1,909,624	1,776,866
Income Taxes	7,936,987	6,606,006	0	0	7,936,987	6,606,006
Admission and Hotel Taxes	33,891	31,025	0	0	33,891	31,025
Grants and Entitlements	779,105	854,782	0	0	779,105	854,782
Franchise Taxes	92,619	94,734	0	0	92,619	94,734
Investment Earnings/Interest	67,345	2,123	6,796	5,739	74,141	7,862
Gain on the Sale of Capital Assets	42,080	0	0	0	42,080	0
Unrestricted Contributions	3,520	2,260	0	0	3,520	2,260
Other	153,020	283,965	680	559	153,700	284,524
Total General Revenues	11,018,191	9,651,761	7,476	6,298	11,025,667	9,658,059
Total Revenues	14,671,059	12,223,970	2,085,186	1,957,148	16,756,245	14,181,118
Program Expenses						
General Government	1,138,280	1,551,060	0	0	1,138,280	1,551,060
Security of Persons and Property						
Police	3,707,920	3,436,370	0	0	3,707,920	3,436,370
Fire	3,051,543	2,840,195	0	0	3,051,543	2,840,195
Transportation	1,968,816	1,444,083	0	0	1,968,816	1,444,083
Community Environment	105,633	544	0	0	105,633	544
Leisure Time Activities	244,046	149,550	0	0	244,046	149,550
Interest	122,680	143,836	0	0	122,680	143,836
Sewer	0	0	1,901,227	1,821,907	1,901,227	1,821,907
Total Program Expenses	10,338,918	9,565,638	1,901,227	1,821,907	12,240,145	11,387,545
Change in Net Position	4,332,141	2,658,332	183,959	135,241	4,516,100	2,793,573
Net Position Beginning of Year	15,485,534	12,827,202	16,922,029	16,786,788	32,407,563	29,613,990
Net Position End of Year	$19,817,675	$15,485,534	$17,105,988	$16,922,029	$36,923,663	$32,407,563

Governmental Activities

For governmental activities, there were increases to charges for services and operating grants and contributions and a decrease to capital grants, contributions and assessments. The only significant change was to operating grants and contributions in which the increase was due to the City receiving more federal funding for projects in 2022 as management worked diligently to ensure expenses were in-line with anticipated revenues. The increase in general revenues was mainly due to an increase in income tax revenues as the City continues to rebound from early pandemic changes to the economy. Several sources fund the City's governmental activities with the municipal income tax being the largest component. The City has a current municipal income tax rate of two percent. In November 2010, the voters approved a one half percent increase to the City's income tax rate. Effective January 1, 2011, the City has matched its other adjacent Lake County cities with an income tax rate of two percent. The additional one half percent increase was solely used to support the City's safety forces. The City allows a resident who works outside of the City a tax credit for income tax paid to the resident's workplace community. This credit is equal to the workplace community's tax rate up to a workplace tax rate of 1.5 percent. A resident's income tax liability is equal to 2 percent of the resident's annual earned income minus the lesser of the resident's workplace community's income tax rate or 1.5 percent. Property tax collections are one of the next largest sources of general revenue for governmental activities. The City collects 3 mills of inside millage and 4.3 mills of outside millage. The outside millage is generated from a 1.8 mill perpetual levy for fire and EMS services and a 2.5 mill road levy. The City is constantly reviewing its fee structure to ensure that all fees constitute a fair charge for the cost of providing government services.

Overall, the largest expenses for the City are in the police and fire departments. The City, in conjunction with the Federal Drug Enforcement Agency, vigorously enforces drug laws. They have made several large drug busts and confiscated large quantities of illegal substances. The City places confiscated funds in two special revenue funds. The use of these confiscated funds is governed by the police department control policy.

The City's fire department is staffed by approximately 30 full-time and part-time firemen. All of these personnel are cross trained as paramedics. In the late 1990's, the City began charging for ambulance rides. Proceeds of the ambulance billings are pledged by ordinance to finance the acquisition of fire department equipment and improvements to fire department's facilities.

Business-Type Activity

The City's business-type activity is comprised of one enterprise fund, which is the City's sanitary sewer system. The largest source of revenue for the sewer fund is charges for services. On the expense side, the largest expense was for contractual services relating to utilities. For 2022, customer collections increased from the prior year while also exceeding current year expense amounts resulting from a strong City budget.

Governmental Funds

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

The City's major governmental funds are the general fund, safety forces and road levy special revenue funds and the general obligation bond retirement debt service fund. The general fund saw an increase in fund balance during the year primarily due to an increase in income tax revenues. Despite higher expenditures, the safety forces special revenue fund saw an increase in fund balance due to an increase in income tax collections. The road levy special revenue fund balance went up as a result of an increase in federal grants monies received for road projects. The general obligation bond retirement fund saw an increase in fund balance resulting from lower debt service requirements in the current year.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. All recommendations for budget changes are presented to the Finance Committee of Council before going to City Council for legislative action to approve the change. Budgetary changes normally consist of requests for capital expenditures as the City operates with a legal level of control at the object level within each department for all funds. This allows the City to make small interdepartmental budget modifications within departments. The general fund is monitored closely with regard to revenues and related expenditures. The general fund's actual revenue exceeded the final budget amount due in large to greater than anticipated income tax collections as the local economy continues to have a strong rebound from the COVID Pandemic. Actual expenditures were under the final budget due mainly a concerted effort by management to hold expenditures within the budget and to save where it was possible.

Capital Assets

For 2022, the primary additions for governmental activities consisted of construction in progress, building improvements, land improvements, various equipment, vehicles and major road and infrastructure improvements. Business-type additions included the purchase of vehicles and infrastructure updates. Additional information concerning the City's capital assets can be found in Note 8, to the basic financial statements.

Long-term Obligations

The general obligation bonds were issued for the salt storage facility expansion project and for a new fire truck. The OWDA loans outstanding are for sanitary sewer improvements. The principal and interest for the OWDA loans are retired primarily with assessments levied against property owners of the City based on the benefit to the respective parties. Assessments are collected by the Lake County Auditor and will be received through 2032. The OPWC loan outstanding is for the Rogers Road slope failure project. The leases payable are for copiers. Business-type debt includes OPWC loans and OWDA loans outstanding for infrastructure improvement projects, which are repaid using sewer revenues and with assessments levied against property owners of the City based on the benefit to the respective parties. Additional information concerning debt issuances can be found in Note 13 to the basic financial statements.

Current Related Financial Activities

The City maintains a careful watch over its financial operations. This should help the City continue to remain financially strong. In addition, the City is working on strengthening its internal control system, and improving its budgeting and procurement standards to help the City meet the challenges of the future. The City remains open to providing the citizens of Willoughby Hills with full disclosure of the financial position of the City.

Contacting the City of Willoughby Hills' Financial Management

This financial report is designed to provide the citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Finance Director, City of Willoughby Hills, 35405 Chardon Road, Willoughby Hills, Ohio 44094-9103. Phone: (440) 946-1234, Fax: (440) 975-3533 or email finance@willoughbyhills-oh.gov.

City of Willoughby Hills, Ohio
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-Type Activity	Total *
Assets			
Equity in Pooled Cash and Cash Equivalents	$10,561,209	$2,113,986	$12,675,195
Materials and Supplies Inventory	98,325	0	98,325
Accounts Receivable	344,467	0	344,467
Intergovernmental Receivable	910,625	23,188	933,813
Prepaid Items	61,082	15,250	76,332
Municipal Income Taxes Receivable	2,496,967	0	2,496,967
Property Taxes Receivable	1,856,790	0	1,856,790
Leases Receivable	1,224,828	0	1,224,828
Special Assessments Receivable	3,699,080	0	3,699,080
Net Pension Asset (See Note 10)	12,241	781	13,022
Net OPEB Asset (See Note 11)	265,043	16,914	281,957
Nondepreciable Capital Assets	3,676,992	268,613	3,945,605
Depreciable Capital Assets, Net	15,696,796	16,581,644	32,278,440
Total Assets	40,904,445	19,020,376	59,924,821
Deferred Outflows of Resources			
Pension	3,122,479	20,866	3,143,302
OPEB	786,217	66	786,283
Asset Retirement Obligation	0	18,000	18,000
Total Deferred Outflows of Resources	3,908,696	38,932	3,947,585
Liabilities			
Accounts Payable	203,351	3,289	206,640
Contracts Payable	111,620	0	111,620
Deposits Held Payable	286,902	0	286,902
Accrued Wages	98,381	2,001	100,382
Vacation Benefits Payable	155,246	0	155,246
Accrued Interest Payable	86,899	14,426	101,325
Intergovernmental Payable	102,883	516,679	619,562
Unearned Revenue	764,595	0	764,595
Long-Term Liabilities:			
Due Within One Year	867,906	351,283	1,219,189
Due In More Than One Year:			
Net Pension Liability (See Note 10)	8,437,159	48,003	8,485,162
Net OPEB Liability (See Note 11)	1,348,315	0	1,348,315
Other Amounts	5,161,026	929,151	6,090,177
Total Liabilities	17,624,283	1,864,832	19,489,115
Deferred Inflows of Resources			
Property Taxes	1,831,069	0	1,831,069
Leases	1,224,828	0	1,224,828
Pension	3,513,909	67,730	3,581,596
OPEB	801,377	20,758	822,135
Total Deferred Inflows of Resources	7,371,183	88,488	7,459,628
Net Position			
Net Investment in Capital Assets	17,920,591	15,589,823	33,510,414
Restricted for:			
Capital Projects	338,329	0	338,329
Debt Service	279,911	0	279,911
Pension Plans	11,071	611	11,682
Other Purposes	4,869,113	0	4,869,113
Unrestricted (Deficit)	(3,601,340)	1,515,554	(2,085,786)
Total Net Position	$19,817,675	$17,105,988	$36,923,663

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

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio
Statement of Activities
For the Year Ended December 31, 2022

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants, Contributions and Assessments
Governmental Activities:				
General Government	$1,138,280	$354,802	$4	$0
Security of Persons and Property				
Police	3,707,920	32,683	50,182	0
Fire	3,051,543	527,859	340,967	14,155
Transportation	1,968,816	190,326	1,913,917	111,312
Community Environment	105,633	27,604	3,515	0
Leisure Time Activities	244,046	75,542	0	10,000
Interest	122,680	0	0	0
Total Governmental Activities	10,338,918	1,208,816	2,308,585	135,467
Business-Type Activity:				
Sewer	1,901,227	1,969,095	0	108,615
Total	$12,240,145	$3,177,911	$2,308,585	$244,082

General Revenues
Property Taxes Levied for:
General Purposes
Police Pension
Fire Levy
Road Levy
Municipal Income Tax Levied for:
General Purposes
Safety Forces
Admission and Hotel Taxes
Grants and Entitlements not Restricted to Specific Programs
Franchise Taxes
Investment Earnings/Interest
Gain on Sale of Capital Assets
Unrestricted Contributions
Other

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activity	Total
($783,474)	$0	($783,474)
(3,625,055)	0	(3,625,055)
(2,168,562)	0	(2,168,562)
246,739	0	246,739
(74,514)	0	(74,514)
(158,504)	0	(158,504)
(122,680)	0	(122,680)
(6,686,050)	0	(6,686,050)
0	176,483	176,483
(6,686,050)	176,483	(6,509,567)
758,225	0	758,225
84,247	0	84,247
505,484	0	505,484
561,668	0	561,668
6,279,357	0	6,279,357
1,657,630	0	1,657,630
33,891	0	33,891
779,105	0	779,105
92,619	0	92,619
67,345	6,796	74,141
42,080	0	42,080
3,520	0	3,520
153,020	680	153,700
11,018,191	7,476	11,025,667
4,332,141	183,959	4,516,100
15,485,534	16,922,029	32,407,563
$19,817,675	$17,105,988	$36,923,663

City of Willoughby Hills, Ohio
Balance Sheet
Governmental Funds
December 31, 2022

	General	Safety Forces	Road Levy	General Obligation Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	$4,056,664	$1,671,395	$859,099	$233,166	$3,422,576	$10,242,900
Materials and Supplies Inventory	4,832	56,456	0	0	37,037	98,325
Accounts Receivable	24,576	0	0	0	319,891	344,467
Interfund Receivable	0	0	0	0	66,444	66,444
Intergovernmental Receivable	350,007	1,019	34,535	78,756	446,308	910,625
Prepaid Items	61,082	0	0	0	0	61,082
Leases Receivable	1,202,692	0	0	0	22,136	1,224,828
Municipal Income Taxes Receivable	1,972,604	524,363	0	0	0	2,496,967
Property Taxes Receivable	738,171	0	544,487	0	574,132	1,856,790
Special Assessments Receivable	0	0	0	3,699,080	0	3,699,080
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	318,309	0	0	0	0	318,309
Total Assets	$8,728,937	$2,253,233	$1,438,121	$4,011,002	$4,888,524	$21,319,817
Liabilities						
Accounts Payable	$101,736	$67,346	$0	$0	$34,269	$203,351
Contracts Payable	0	1,185	0	0	110,435	111,620
Deposits Held Payable from Restricted Assets	286,902	0	0	0	0	286,902
Accrued Wages	24,690	61,476	0	0	12,215	98,381
Intergovernmental Payable	19,241	78,261	0	0	5,381	102,883
Interfund Payable	0	0	0	0	66,444	66,444
Unearned Revenue	0	0	0	0	764,595	764,595
Total Liabilities	432,569	208,268	0	0	993,339	1,634,176
Deferred Inflows of Resources						
Property Taxes	727,933	0	536,967	0	566,169	1,831,069
Leases	1,202,692	0	0	0	22,136	1,224,828
Unavailable Revenue	1,821,853	394,745	42,055	3,777,836	673,106	6,709,595
Total Deferred Inflows of Resources	3,752,478	394,745	579,022	3,777,836	1,261,411	9,765,492
Fund Balances						
Nonspendable	97,321	56,456	0	0	37,037	190,814
Restricted	0	1,593,764	859,099	233,166	1,662,372	4,348,401
Committed	69,978	0	0	0	947,500	1,017,478
Assigned	453,670	0	0	0	0	453,670
Unassigned (Deficit)	3,922,921	0	0	0	(13,135)	3,909,786
Total Fund Balances	4,543,890	1,650,220	859,099	233,166	2,633,774	9,920,149
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$8,728,937	$2,253,233	$1,438,121	$4,011,002	$4,888,524	$21,319,817

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio

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

Total Governmental Funds Balances		$9,920,149
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.		19,373,788
Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.		
Delinquent Property Taxes	25,721	
Income Taxes	1,879,739	
Charges for Services	290,392	
Licenses, Permits and Fees	23,441	
Intergovernmental	782,046	
Special Assessments	3,699,080	
Rentals	9,176	
Total		6,709,595
In the statement of activities, interest is accrued on outstanding liabilities, whereas in governmental funds, an interest expenditure is reported when due.		(86,899)
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.		(155,246)
The net pension asset (liability) and the net OPEB asset (liability) are not due and payable in the current period; therefore, the asset (liability) and related deferred inflows/outflows are not reported in governmental funds.		
Net Pension Asset	12,241	
Deferred Outflows - Pension	3,122,479	
Net Pension Liability	(8,437,159)	
Deferred Inflows - Pension	(3,513,909)	
Net OPEB Asset	265,043	
Deferred Outflows - OPEB	786,217	
Net OPEB Liability	(1,348,315)	
Deferred Inflows - OPEB	(801,377)	
Total		(9,914,780)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(1,640,000)	
OPWC Loans Payable	(5,000)	
OWDA Loans Payable	(3,801,344)	
Leases	(38,716)	
Compensated Absences	(543,872)	
Total		(6,028,932)
Net Position of Governmental Activities		$19,817,675

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio

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

	General	Safety Forces	Road Levy	General Obligation Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	$764,534	$0	$566,375	$0	$594,638	$1,925,547
Municipal Income Taxes	6,059,416	1,599,165	0	0	0	7,658,581
Admission and Hotel Taxes	33,891	0	0	0	0	33,891
Charges for Services	158,008	0	0	0	436,498	594,506
Licenses, Permits and Fees	98,221	1,705	0	0	0	99,926
Fines, Forfeitures and Settlements	199,461	0	0	0	55,960	255,421
Intergovernmental	751,262	54,154	1,220,715	32,949	1,007,929	3,067,009
Special Assessments	0	0	0	610,719	0	610,719
Investment Earnings/Interest	46,639	5,574	3,167	725	11,240	67,345
Rentals	103,366	0	0	0	5,685	109,051
Lease Revenue	38,664	0	0	0	13,449	52,113
Contributions and Donations	3,520	1,150	0	0	13,519	18,189
Franchise Taxes	92,619	0	0	0	0	92,619
Miscellaneous	128,120	19,868	150	0	4,882	153,020
Total Revenues	8,477,721	1,681,616	1,790,407	644,393	2,143,800	14,737,937
Expenditures						
Current:						
General Government	1,496,465	52,640	0	980	25,152	1,575,237
Security of Persons and Property						
Police	0	3,943,564	0	0	130,907	4,074,471
Fire	0	2,084,776	0	0	754,072	2,838,848
Transportation	876,514	0	1,415,380	0	884,717	3,176,611
Community Environment	127,127	0	0	0	1,847	128,974
Leisure Time Activities	222,710	0	0	0	8,529	231,239
Capital Outlay	0	0	0	0	1,406,106	1,406,106
Debt Service:						
Principal Retirement	5,296	3,993	0	524,207	1,151	534,647
Interest	578	436	0	102,255	126	103,395
Issuance Costs	0	0	0	0	36,000	36,000
Total Expenditures	2,728,690	6,085,409	1,415,380	627,442	3,248,607	14,105,528
Excess of Revenues Over (Under) Expenditures	5,749,031	(4,403,793)	375,027	16,951	(1,104,807)	632,409
Other Financing Sources (Uses)						
Sale of Capital Assets	0	0	0	0	57,877	57,877
Inception of Lease	0	6,415	0	0	0	6,415
General Obligation Bonds Issued	0	0	0	0	1,640,000	1,640,000
Transfers In	0	4,506,300	0	5,000	20,042	4,531,342
Transfers Out	(4,511,342)	0	(5,000)	0	(15,000)	(4,531,342)
Total Other Financing Sources (Uses)	(4,511,342)	4,512,715	(5,000)	5,000	1,702,919	1,704,292
Net Change in Fund Balances	1,237,689	108,922	370,027	21,951	598,112	2,336,701
Fund Balances Beginning of Year	3,306,201	1,541,298	489,072	211,215	2,035,662	7,583,448
Fund Balances End of Year	$4,543,890	$1,650,220	$859,099	$233,166	$2,633,774	$9,920,149

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio

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

Net Change in Fund Balances - Total Governmental Funds		$2,336,701
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital Asset Additions	3,829,696	
Current Year Depreciation	(1,149,151)	
Total		2,680,545
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.		(15,797)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in governmental funds.		
Delinquent Property Taxes	(15,923)	
Income Taxes	278,406	
Charges for Services	91,501	
Licenses, Permits and Fees	4,794	
Intergovernmental	57,898	
Special Assessments	(527,138)	
Rentals	1,504	
Total		(108,958)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	868,328	
OPEB	17,167	
Total		885,495
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities are reported as pension expense in the statement of activities.		
Pension	(388,616)	
OPEB	144,408	
Total		(244,208)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
OPWC Loans Payable	5,000	
OWDA Loans Payable	519,207	
Leases Payable	10,440	
Total		534,647
Other financing sources in the governmental funds increase long-term liabilities on the statement of net position.		
Inception of Lease	(6,415)	
General Obligation Bonds Issued	(1,640,000)	
Total		(1,646,415)
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net position.		(19,285)
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.		
Compensated Absences	(58,624)	
Vacation Benefits Payable	(11,960)	
Total		(70,584)
Change in Net Position of Governmental Activities		$4,332,141

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio

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

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Property Taxes	$735,814	$736,600	$764,534	$27,934
Municipal Income Taxes	5,163,735	5,169,700	6,016,617	846,917
Admission and Hotel Taxes	35,259	35,300	32,756	(2,544)
Charges for Services	257,303	257,600	143,131	(114,469)
Licenses, Permits and Fees	134,644	134,800	103,470	(31,330)
Fines, Forfeitures and Settlements	328,626	340,000	199,461	(140,539)
Intergovernmental	616,196	616,900	750,400	133,500
Investment Earnings/Interest	4,994	5,000	21,675	16,675
Rentals	78,709	78,800	103,366	24,566
Contributions and Donations	499	500	0	(500)
Franchise Taxes	105,179	105,300	92,619	(12,681)
Miscellaneous	223,342	223,600	191,665	(31,935)
Total Revenues	7,684,300	7,704,100	8,419,694	715,594
Expenditures				
Current:				
General Government	2,050,494	2,051,494	1,941,032	110,462
Transportation	1,012,431	1,012,431	931,078	81,353
Community Environment	175,719	175,719	158,909	16,810
Leisure Time Activities	227,894	227,894	219,632	8,262
Total Expenditures	3,466,538	3,467,538	3,250,651	216,887
Excess of Revenues Over (Under) Expenditures	4,217,762	4,236,562	5,169,043	932,481
Other Financing Sources (Uses)				
Transfers Out	(4,530,500)	(4,530,500)	(4,525,886)	4,614
Net Change in Fund Balance	(312,738)	(293,938)	643,157	937,095
Fund Balance Beginning of Year	2,539,390	2,539,390	2,539,390	0
Prior Year Encumbrances Appropriated	382,738	382,738	382,738	0
Fund Balance End of Year	$2,609,390	$2,628,190	$3,565,285	$937,095

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio

Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Safety Forces Fund
For the Year Ended December 31, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Municipal Income Taxes	$1,319,876	$1,324,000	$1,587,788	$263,788
Licenses, Permits and Fees	2,193	2,200	1,705	(495)
Intergovernmental	12,960	13,000	53,135	40,135
Investment Earnings/Interest	2,991	3,000	5,574	2,574
Contributions and Donations	3,489	3,500	1,150	(2,350)
Miscellaneous	16,548	16,600	19,868	3,268
Total Revenues	1,358,057	1,362,300	1,669,220	306,920
Expenditures				
Current:				
General Government	52,931	54,800	52,640	2,160
Security of Persons and Property				
Police	4,348,426	4,502,008	4,264,394	237,614
Fire	2,110,752	2,185,301	2,143,727	41,574
Total Expenditures	6,512,109	6,742,109	6,460,761	281,348
Excess of Revenues Over (Under) Expenditures	(5,154,052)	(5,379,809)	(4,791,541)	588,268
Other Financing Sources (Uses)				
Sale of Capital Assets	38,280	38,400	0	(38,400)
Transfers In	4,492,263	4,506,300	4,506,300	0
Total Other Financing Sources (Uses)	4,530,543	4,544,700	4,506,300	(38,400)
Net Change in Fund Balance	(623,509)	(835,109)	(285,241)	549,868
Fund Balance Beginning of Year	978,279	978,279	978,279	0
Prior Year Encumbrances Appropriated	525,109	525,109	525,109	0
Fund Balance End of Year	$879,879	$668,279	$1,218,147	$549,868

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio

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

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Property Taxes	$611,300	$611,300	$566,375	($44,925)
Intergovernmental	1,218,000	1,218,000	1,220,715	2,715
Investment Earnings/Interest	2,500	2,500	3,167	667
Miscellaneous	1,000	1,000	150	(850)
Total Revenues	1,832,800	1,832,800	1,790,407	(42,393)
Expenditures				
Current:				
Transportation	1,690,946	1,756,446	1,622,376	134,070
Excess of Revenues Over (Under) Expenditures	141,854	76,354	168,031	91,677
Other Financing Sources (Uses)				
Transfers Out	(5,000)	(5,000)	(5,000)	0
Net Change in Fund Balance	136,854	71,354	163,031	91,677
Fund Balance Beginning of Year	472,826	472,826	472,826	0
Prior Year Encumbrances Appropriated	16,246	16,246	16,246	0
Fund Balance End of Year	$625,926	$560,426	$652,103	$91,677

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio
Statement of Fund Net Position
Enterprise Fund
December 31, 2022

	Sewer
Assets	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	$2,113,986
Intergovernmental Receivable	23,188
Prepaid Items	15,250
Total Current Assets	2,152,424
Noncurrent Assets	
Restricted Assets:	
Net Pension Asset	781
Net OPEB Asset	16,914
Nondepreciable Capital Assets	268,613
Depreciable Capital Assets, Net	16,581,644
Total Noncurrent Assets	16,867,952
Total Assets	19,020,376
Deferred Outflows of Resources	
Pension	20,866
OPEB	66
Asset Retirement Obligation	18,000
Total Deferred Outflows of Resources	38,932
Liabilities	
Current Liabilities	
Accounts Payable	3,289
Accrued Wages	2,001
Accrued Interest Payable	14,426
Intergovernmental Payable	516,679
OWDA Loans Payable	313,833
OPWC Loans Payable	37,450
Total Current Liabilities	887,678
Long-Term Liabilities (Net of Current Portion):	
OWDA Loans Payable	803,076
OPWC Loans Payable	106,075
Asset Retirement Obligation	20,000
Net Pension Liability	48,003
Total Long-Term Liabilities	977,154
Total Liabilities	1,864,832
Deferred Inflows of Resources	
Pension	67,730
OPEB	20,758
Total Deferred Inflows of Resources	88,488
Net Position	
Net Investment in Capital Assets	15,589,823
Restricted for Pension Plans	611
Unrestricted	1,515,554
Total Net Position	$17,105,988

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio

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

	Sewer
Operating Revenue	
Charges for Services	$1,969,095
Other	680
Total Operating Revenues	1,969,775
Operating Expenses	
Personal Services	113,403
Fringe Benefits	37,800
Contractual Services	1,124,438
Depreciation	567,868
Other	26,723
Total Operating Expenses	1,870,232
Operating Income (Loss)	99,543
Non-Operating Revenues (Expenses)	
Investment Earnings/Interest	6,796
Special Assessments	108,615
Interest	(30,995)
Total Non-Operating Revenues (Expenses)	84,416
Change in Net Position	183,959
Net Position Beginning of Year	16,922,029
Net Position End of Year	$17,105,988

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio

Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2022

	Sewer
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	$2,037,284
Cash Received from Other Operating Sources	680
Cash Payments for Employee Services and Benefits	(155,746)
Cash Payments for Contractual Services	(879,498)
Cash Payments for Other Operating Expenses	(23,572)
Net Cash Provided by (Used for) Operating Activities	979,148
Cash Flows from Capital and Related Financing Activities	
Principal Paid on OWDA Loans	(304,275)
Interest Paid on OWDA Loans	(35,179)
Principal Paid on OPWC Loans	(37,450)
Acquisition of Capital Assets	(289,932)
Special Assessments	108,615
Net Cash Provided by (Used for) Capital and Related Financing Activities	(558,221)
Cash Flows from Investing Activities	
Investment Earnings/Interest	6,796
Net Increase (Decrease) in Cash and Cash Equivalents	427,723
Cash and Cash Equivalents Beginning of Year	1,686,263
Cash and Cash Equivalents End of Year	$2,113,986

(continued)

City of Willoughby Hills, Ohio

Statement of Cash Flows
Enterprise Fund (continued)
For the Year Ended December 31, 2022

	Sewer
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	$99,543
Adjustments:	
Depreciation	567,868
(Increase)/Decrease in Assets/Deferred Outflows:	
Intergovernmental Receivable	68,189
Prepaids	(2,168)
Net Pension Asset	(89)
Net OPEB Asset	244
Asset Retirement Obligation	400
Deferred Outflows - Pension	41,182
Deferred Outflows - OPEB	24,164
Increase/(Decrease) in Liabilities/Deferred Inflows:	
Accounts Payable	(746)
Accrued Wages	681
Intergovernmental Payable	250,736
Net Pension Liability	(2,757)
Deferred Inflows - Pension	(42,658)
Deferred Inflows - OPEB	(25,441)
Total Adjustments	879,605
Net Cash Provided by (Used for) Operating Activities	$979,148

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio
Statement of Fiduciary Net Position
Custodial Fund
December 31, 2022

Assets	
Cash and Cash Equivalents in Segregated Accounts	$1,266
Liabilities	
Accounts Payable	51
Intergovernmental Payable	1,215
Total Liabilities	1,266
Net Position	
Restricted for Individuals and Other Governments	$0

See accompanying notes to the basic financial statements

City of Willoughby Hills, Ohio

Statement of Changes in Fiduciary Net Position

Custodial Fund

For the Year Ended December 31, 2022

Additions	
Fines and Forfeitures for Individuals	$3,424
Fines and Forfeitures for Other Governments	82,150
Total Additions	85,574
Deletions	
Distributions to Individuals	3,424
Distributions to Other Governments	82,150
Total Deductions	85,574
Net Change in Fiduciary Net Position	0
Net Position Beginning of Year	0
Net Position End of Year	$0

See accompanying notes to the basic financial statements

Note 1 - Reporting Entity

The City of Willoughby Hills (the City) is a charter municipal corporation established and operated under the laws of the State of Ohio. The charter first became effective September 15, 1970. The current charter provides for a council-mayor form of government. Elected officials include seven council members and a mayor. The council members are elected for four year staggered terms. Four of the council members are elected at large. The mayor is elected for a four year term.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Willoughby Hills, this includes the agencies and departments that provide the following services: police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, refuse collection, recycling, sanitary sewer service and general administrative services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations which are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The reporting entity of the City does not include any component units.

The City participates in the Northeast Ohio Public Energy Council and the Regional Income Tax Agency jointly governed organizations and the Public Entities Pool of Ohio a Public Entity Risk Pool. These organizations are discussed in Note 15 and 18 of the Basic Financial Statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City of Willoughby Hills 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 more significant of the City's accounting policies are described below.

Basis of Presentation

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

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

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 or interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

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

Fund Accounting

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

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

> ***General Fund*** The general fund accounts for and reports all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Willoughby Hills and/or the general laws of Ohio.
>
> ***Safety Forces Fund*** The safety forces special revenue fund is used to account for and report voter approved income taxes that are restricted for salaries of police and firemen and for police and fire supplies and equipment.
>
> ***Road Levy Fund*** The road levy special revenue fund is used to account for and report restricted property taxes levied for the maintenance, repair, reconstruction and improvement of roads within the City.

General Obligation Bond Retirement Fund The general obligation bond retirement fund is used to account for and report restricted property taxes levied to be used for the payment of principal and interest on general obligation bonds issued.

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

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

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The City does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The City's fiduciary fund is a custodial fund. The City's custodial fund accounts for amounts collected and distributed on behalf of the mayor's court.

Measurement Focus

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

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

Like the government-wide statements, all proprietary and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

For the proprietary funds, the statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds present a statement of revenues, expenses and changes in fiduciary net position which reports additions to and deductions from investment trust, private purpose trust funds, and custodial funds.

Basis of Accounting

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

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported in the government-wide statement of net position for pension and OPEB and the business-type activities also have asset retirement obligations. The deferred outflows of resources related to asset retirement obligations is originally measured at the amount of the corresponding liability. This amount is expensed in a systematic and rational manner over the tangible asset's useful life. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB, leases and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2022, but which were levied to finance 2023 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. The deferred inflow for leases is related to leases receivable and is being recognized as lease revenue in a systematic and rational manner over the term of the lease. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, charges for services, fees, licenses and permits, intergovernmental, special assessments and rentals. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 10 and 11)

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.

Pensions/Other Postemployment Benefits (OPEB)

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

Budgetary Process

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

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

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

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as “equity in pooled cash and cash equivalents”.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are reported as “cash and cash equivalents in segregated accounts” since they are not required to be deposited into the City Treasury.

During 2022, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio) is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted 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 an NAV per share that approximates fair value.

For 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is for deposits and withdrawals of $100 million or more is encouraged. STAR Ohio reserves the right to limit the transaction to $250 million per day, 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.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment Earnings/Interest revenue credited to the general fund during 2022 amounted to $46,639 which includes $21,051 assigned from other City funds.

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

Prepaid Items

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

Inventory

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

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 represent money set aside for unclaimed monies and amounts held on deposit for contractors. Restricted assets in the enterprise fund represent amounts held in trust by the pension and OPEB plans for future benefits.

Capital Assets

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

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

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

Description	Estimated Lives
Land Improvements	15 - 20 years
Buildings and Improvements	10 - 50 years
Machinery and Equipment	5 - 20 years
Infrastructure	20 - 50 years
Intangible Right to Use - Equipment	4 - 5 years

The City's infrastructure consists of roads, sidewalks, sanitary sewers, storm sewers and traffic signals and does not include infrastructure acquired prior to December 31, 2004.

The City is reporting intangible right to use assets related to leased equipment. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, these intangible assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service. Since the City's policy limits the accrual of vacation time to one year from the employee's anniversary date, the outstanding liability is recorded as "vacation benefits payable" on the statement of net position rather than as a long-term liability.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees the City has identified as probable of receiving payment in the future (those employees with ten years or more of service). The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for employees after ten years of service with the City.

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 the proprietary fund are reported on the proprietary fund financial statements.

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

Fund Balance

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

> ***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.
>
> ***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

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

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

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

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.

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net position for pension plans represent the corresponding restricted asset amounts after considering the related deferred outflows and deferred inflows. Net position restricted for other purposes include resources restricted for court improvements, police and fire safety forces and street repair and maintenance.

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

Operating Revenues and Expenses

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

Interfund Activity

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

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

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund balance 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.

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

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.

Unearned Revenue

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 the amounts have not yet been earned. The City recognizes unearned revenue from grants received before the eligibility requirements are met.

OneOhio Opioid Settlement Monies

During 2021, Ohio reached an agreement with the three largest distributors of opioids. Although the settlement has been reached, uncertainties remain related to measurement. As a participating subdivision, the City received the first of eighteen distributions in 2022. This distribution of $4,567 is reflected as fines, forfeitures and settlements revenue in the OneOhio Opioid special revenue fund in the accompanying financial statements.

Leases

The City serves as both lessee and lessor in various noncancellable leases which are accounted for as follows:

> ***Lessee*** At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.
>
> ***Lessor*** At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Note 3 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

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

3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).

4. Unreported cash represents amounts received but not included as revenue on the budgetary statements, but is reported on the operating statements prepared using GAAP.

5. Budgetary revenues and expenditures of the recreation 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 and major special revenue funds:

Net Change in Fund Balance

	General	Safety Forces	Road Levy
GAAP Basis	$1,237,689	$108,922	$370,027
Net Adjustment for Revenue Accruals	(19,961)	(18,811)	0
Beginning Unrecorded Cash	11,902	69,063	0
Ending Unrecorded Cash	(11,608)	(64,370)	0
Net Adjustment for Expenditure Accruals	96,292	8,833	0
Perspective Difference:			
Recreation	(1,210)	0	0
Encumbrances	(669,947)	(388,878)	(206,996)
Budget Basis	$643,157	($285,241)	$163,031

Note 4 - Deposits and Investments

The City has chosen to follow State statutes and classify monies held by the City into three categories.

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

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

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

Interim monies held by the City can be deposited or invested in the following securities:

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

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

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

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

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

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

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

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

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.

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

The City has passed an ordinance allowing the City to invest monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;

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

3. Obligations of the City.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2022, $3,691,013 of the City's total bank balance of $10,978,908 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the City's financial institutions participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

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

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

Investments

As of December 31, 2022, the City had STAR Ohio as an investment. STAR Ohio is being held with an amount of $2,249,792 which is valued at net asset value per share. The average maturity is 31.9 days.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within two years from the date of purchase if they have a variable interest rate and five years for investments that have a fixed rate and 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. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk STAR Ohio carries a rating of Aaa by Moody's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The City has no investment policy that addresses credit risk.

Concentration of Credit Risk. The City places no limit on the amount it may invest in any one issuer.

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 fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Safety Forces	Road Levy	General Obligation Bond Retirement	Other Governmental Funds	Total Governmental Funds
Nonspendable						
Unclaimed Monies	$31,407	$0	$0	$0	$0	$31,407
Inventory	4,832	56,456	0	0	37,037	98,325
Prepaids	61,082	0	0	0	0	61,082
Total Nonspendable	97,321	56,456	0	0	37,037	190,814
Restricted for						
Veterans Memorial	0	0	0	0	1,288	1,288
Police Pension	0	0	0	0	39,307	39,307
Public Safety	0	1,593,764	0	0	401,393	1,995,157
Street Maintenance	0	0	859,099	0	687,986	1,547,085
Opioid Settlement	0	0	0	0	4,567	4,567
Enforcement and Education	0	0	0	0	52,126	52,126
Debt Service Payments	0	0	0	233,166	0	233,166
Capital Improvements	0	0	0	0	475,705	475,705
Total Restricted	0	1,593,764	859,099	233,166	1,662,372	4,348,401
Committed to						
Termination Pay	58,978	0	0	0	0	58,978
Underground Storage	11,000	0	0	0	0	11,000
Parks and Recreation	0	0	0	0	40,641	40,641
Assistance to Seniors	0	0	0	0	34,693	34,693
Capital Improvements	0	0	0	0	872,166	872,166
Total Committed	69,978	0	0	0	947,500	1,017,478
Assigned to						
Recreation	21,236	0	0	0	0	21,236
Purchases on Order:						
Personal Services	38,479	0	0	0	0	38,479
Fringe Benefits	11,449	0	0	0	0	11,449
Contractual Services	382,506	0	0	0	0	382,506
Total Assigned	453,670	0	0	0	0	453,670
Unassigned (Deficit)	3,922,921	0	0	0	(13,135)	3,909,786
Total Fund Balances	$4,543,890	$1,650,220	$859,099	$233,166	$2,633,774	$9,920,149

Note 6 - Receivables

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

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

Special assessments expected to be collected in more than one year amount to $3,169,498 in the general obligation bond retirement fund. At December 31, 2022, the amount of delinquent special assessments was $13,838.

Property Taxes

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

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

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

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

The full tax rate for all City operations for the year ended December 31, 2022, was $7.30 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:

Category	Assessed Value
Real Estate	
Residential/Agricultural	$253,423,260
Other Real Estate	60,288,980
Tangible Personal Property	
Public Utility	7,211,180
Total Assessed Values	$320,923,420

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

Income Taxes

The City levies a municipal income tax of two percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside the City. On November 2, 2010, a majority of the electors voted to approve an amendment to the city charter which increased the income tax rate to two percent from one and one half percent effective January 1, 2011. The amendment further stipulates that any and all income above one and one half percent up to two percent of income tax paid on income earned within the City and net profits shall be exclusively used to support the City's safety forces. The City allows a resident who works outside of the City a tax credit for income tax paid to the resident's workplace community. This credit is equal to the workplace community's tax rate up to a workplace tax rate of 1.5 percent. A resident's income tax liability is equal to 2 percent of the resident's annual earned income minus the lesser of the resident's workplace community's income tax rate or 1.5 percent. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

The Regional Income Tax Agency administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of approximately 3 percent. Taxes collected by RITA in one month are remitted to the City on the first and fifteenth business days of the following month. Income tax revenue is credited to the general fund and safety forces special revenue fund.

Intergovernmental Receivable

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Local Government	$289,759
Gas Excise Tax	239,157
Homestead and Rollback	120,215
Lake County	78,756
County Stormwater Reimbursement Grant	75,006
Motor Vehicle License Tax	62,376
FEMA Grant	18,129
Village of Waite Hill	14,155
Willoughby-Eastlake Public Library	9,176
Willoughby Municipal Court	1,930
Lake County Stone Grant	1,019
Public Entities Pool Grant	947
Total Governmental Activities	$910,625
Business-Type Activity	
Lake County	$23,188

Lease Receivable

The City is reporting leases receivable of $1,224,828 in the general fund at December 31, 2022. These amounts represent the discounted future lease payments. This discount is being amortized using the interest method. For 2022, the City recognized lease revenue of $38,664 and interest revenue of $24,881 in the general fund and recognized lease revenue of $13,449 and interest revenue of $884 in the park maintenance special revenue fund related to lease payments received. A description of the City's leasing arrangements is as follows:

Cell Tower Leases – The City has entered into various lease agreements for cell towers with multiple companies at varying years and terms as follows:

Company	Lease Commencement Date	Years	Lease Ending Date	Payment Method
Verizon	1987	55	2042	Monthly
TowerCo Cell Tower	2019	30	2049	Monthly
CC Holdings/Sprint	1998	26	2024	Monthly

A summary of future lease revenue is as follows:

	General		Park Maintenance	
Year	Principal	Interest	Principal	Interest
2023	$44,514	$27,502	$13,858	$475
2024	37,945	26,336	8,278	83
2025	27,405	25,587	0	0
2026	29,362	24,915	0	0
2027	31,400	24,194	0	0
2028-2032	190,660	108,263	0	0
2033-2037	255,760	81,469	0	0
2038-2042	316,074	45,750	0	0
2043-2047	210,096	16,772	0	0
2048-2049	59,476	789	0	0
	$1,202,692	$381,577	$22,136	$558

Note 7 – Interfund Transfers and Balances and Internal Balances

Interfund Transfers

Transfers made during the year ended December 31, 2022 were as follows:

	Transfer From			
Transfer To	General	Road Levy	Other Governmental Funds	Total
Major Funds				
Safety Forces	$4,506,300	$0	$0	$4,506,300
General Obligation Bond Retirement	0	5,000	0	5,000
Total Major Funds	4,506,300	5,000	0	4,511,300
Other Governmental Funds				
Pleasant Valley Bridge	0	0	15,000	15,000
Recreation Improvement	5,042	0	0	5,042
Total Other Governmental Funds	5,042	0	15,000	20,042
Total Governmental Activities	$4,511,342	$5,000	$15,000	$4,531,342

The general fund made transfers to the safety forces special revenue fund and the recreation improvement capital projects fund to provide additional resources for current operations. The street construction, maintenance and repair special revenue fund made a transfer to the pleasant valley bridge capital projects fund for its portion of the enacted $5 motor vehicle license fees. The road levy special revenue fund made a transfer to the general obligation bond retirement debt service fund for debt payment requirements.

Interfund Balances

The interfund balance at December 31, 2022, consists of an interfund receivable/payable between the law enforcement grants and law enforcement trust special revenue funds in the amount of $1,444 and the FEMA special revenue fund and fire department capital equipment capital projects fund of $65,000. These loans were made to subsidize grant funding until it could be secured.

Internal Balances – Change in Proportionate Share

The City uses an internal proportionate share to allocate its net pension/OPEB liability (asset) and corresponding deferred outflows/inflows of resources and pension/OPEB expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension/OPEB deferred outflows/inflows of resources in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position, thus allowing the total column to present the change in proportionate share for the City as a whole.

Eliminations made in the total column of the entity wide statement of net position include deferred outflows of resources for the business type activities and deferred inflows of resources for the governmental activities in the amount of $43 for pension.

Note 8 - Capital Assets

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

	Restated Balance 12/31/2021	Additions	Reductions	Balance 12/31/2022
Governmental Activities:				
Capital assets not being depreciated				
Land	$729,700	$0	$0	$729,700
Construction in progress	469,819	2,477,473	0	2,947,292
Total capital assets not being depreciated	1,199,519	2,477,473	0	3,676,992
Capital assets being depreciated				
Land Improvements	1,223,028	247,245	0	1,470,273
Buildings and Improvements	8,603,637	27,993	(3,028)	8,628,602
Machinery and Equipment	8,234,190	767,009	(289,441)	8,711,758
Infrastructure	11,379,247	303,561	(8,009)	11,674,799
**Intangible Right to Use - Equipment	42,741	6,415	0	49,156
Total capital assets being depreciated	29,482,843	1,352,223	(300,478)	30,534,588
Less: Accumulated depreciation/amortization				
Land Improvements	(1,077,107)	(44,725)	0	(1,121,832)
Buildings and Improvements	(4,491,791)	(168,234)	3,028	(4,656,997)
Machinery and Equipment	(5,547,760)	(484,639)	279,090	(5,753,309)
Infrastructure	(2,856,664)	(441,113)	2,563	(3,295,214)
**Intangible Right to Use - Equipment	0	(10,440)	0	(10,440)
Total accumulated depreciation/amortization	(13,973,322)	(1,149,151) *	284,681	(14,837,792)
Capital assets being depreciated /amortization, net	15,509,521	203,072	(15,797)	15,696,796
Governmental activities capital assets, net	$16,709,040	$2,680,545	($15,797)	$19,373,788

*Depreciation/Amortization expense was charged to governmental activities as follows:

General Government	$119,199
Security of Persons and Property	
Police	190,737
Fire	189,436
Transportation	573,692
Leisure Time Activities	76,087
Total	$1,149,151

** Of the current year depreciation total of $1,149,151, $10,440 is presented as general government expense on the Statement of Activities related to the City's intangible asset of copiers, which is included as an Intangible Right to Use Lease. With the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, a lease meeting the criteria of this statement requires the lessee to recognize the lease liability and an intangible right to use asset.

	Balance 12/31/2021	Additions	Reductions	Balance 12/31/2022
Business-type activities:				
Capital assets not being depreciated				
Land	$268,613	$0	$0	$268,613
Capital assets being depreciated				
Machinery and Equipment	972,076	61,600	0	1,033,676
Infrastructure	23,108,682	228,332	0	23,337,014
Total capital assets being depreciated	24,080,758	289,932	0	24,370,690
Less: Accumulated depreciation				
Machinery and Equipment	(510,423)	(79,652)	0	(590,075)
Infrastructure	(6,710,755)	(488,216)	0	(7,198,971)
Total accumulated depreciation	(7,221,178)	(567,868)	0	(7,789,046)
Capital assets being depreciated, net	16,859,580	(277,936)	0	16,581,644
Business-type activities capital assets, net	$17,128,193	($277,936)	$0	$16,850,257

Note 9 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During 2022, the City participated in the Public Entities Pool of Ohio with USI Insurance Services acting as the City’s agent for the following types of insurance:

Type	Coverage
Buildings	$16,871,464
Personal Property	2,150,454
Third Party Legal Liability	11,000,000 per occurrence
Vehicle Liability	11,000,000 per occurrence
Law Enforcement Liability	11,000,000 per occurrence
Wrongful Acts Liability	11,000,000 per occurrence
Employee Benefit Liability	1,000,000 aggregate

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

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

Note 10 - Defined Benefit Pension Plans

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

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

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a *net pension/OPEB asset* or a long-term *net pension/OBEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For 2022, the City's contractually required contribution was $203,430 for the traditional plan, $2,159 for the combined plan and $2,760 for the member-directed plan. Of these amounts, $20,804 is reported as an intergovernmental payable for the traditional plan, $221 for the combined plan and $281 for the member-directed plan.

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

City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org 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 after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

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

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

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

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

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

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $675,075 for 2022. Of this amount, $74,849 is reported as an intergovernmental payable.

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

The net pension liability (asset) for OPERS was measured as of December 31, 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 of the City's defined benefit pension plans:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.0091960%	0.0033050%	0.1230119%	
Prior Measurement Date	0.0100150%	0.0032800%	0.1203954%	
Change in Proportionate Share	-0.0008190%	0.0000250%	0.0026165%	
Proportionate Share of the:				
Net Pension Liability	$800,089	$0	$7,685,073	$8,485,162
Net Pension Asset	0	(13,022)	0	(13,022)
Pension Expense	(272,198)	(480)	669,308	396,630

2022 pension expense for the member-directed defined contribution plan was $2,760. The aggregate pension expense for all pension plans was $399,390.

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

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	$40,787	$81	$221,592	$262,460
Changes of assumptions	100,050	655	1,404,502	1,505,207
Changes in proportion and differences between City contributions and proportionate share of contributions	0	140	494,831	494,971
City contributions subsequent to the measurement date	203,430	2,159	675,075	880,664
Total Deferred Outflows of Resources	$344,267	$3,035	$2,796,000	$3,143,302
Deferred Inflows of Resources				
Differences between expected and actual experience	$17,548	$1,457	$399,518	$418,523
Net difference between projected and actual earnings on pension plan investments	951,677	2,792	2,014,907	2,969,376
Changes in proportion and differences between City contributions and proportionate share of contributions	153,268	126	40,303	193,697
Total Deferred Inflows of Resources	$1,122,493	$4,375	$2,454,728	$3,581,596

$880,664 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 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 Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2023	($250,070)	($850)	$116,401	($134,519)
2024	(356,418)	(1,180)	(434,492)	(792,090)
2025	(223,778)	(770)	(102,834)	(327,382)
2026	(151,390)	(572)	(85,900)	(237,862)
2027	0	(73)	173,022	172,949
Thereafter	0	(54)	0	(54)
Total	($981,656)	($3,499)	($333,803)	($1,318,958)

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2021, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2 percent down to 6.9 percent, for the defined benefit investments. Key actuarial assumptions and methods used in the latest actuarial valuation, prepared as of December 31, 2021, reflecting experience study results, are presented below:

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

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

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

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all these tables.

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

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

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

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

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

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability (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 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
City's proportionate share of the net pension liability (asset):			
OPERS Traditional Plan	$2,109,470	$800,089	($289,490)
OPERS Combined Plan	(9,717)	(13,022)	(15,600)

Actuarial Assumptions – OP&F

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

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

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

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

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

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

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

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

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

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

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

Note: Assumptions are geometric.
* levered 2x

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

Discount Rate For 2021, the total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 7.50 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	$11,396,855	$7,685,073	$4,594,074

Note 11 – Defined Benefit OPEB Plans

See Note 10 for a description of the net OPEB liability (asset).

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

The 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 will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2020, measurement date health care valuation.

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

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

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

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

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2022 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $1,104 for 2022. Of this amount, $113 is reported as an intergovernmental payable.

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

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

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

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

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

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

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

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

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

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

The City's contractually required contribution to OP&F was $16,129 for 2022. Of this amount, $1,763 is reported as an intergovernmental payable.

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

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

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.0090020%	0.1230119%	
Prior Measurement Date	0.0102200%	0.1203954%	
Change in Proportionate Share	-0.0012180%	0.0026165%	
Proportionate Share of the:			
Net OPEB Liability	$0	$1,348,315	$1,348,315
Net OPEB Asset	(281,957)	0	(281,957)
OPEB Expense	(273,479)	128,104	(145,375)

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

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$61,336	$61,336
Changes of assumptions	0	596,806	596,806
Changes in proportion and differences between City contributions and proportionate share of contributions	0	110,908	110,908
City contributions subsequent to the measurement date	1,104	16,129	17,233
Total Deferred Outflows of Resources	$1,104	$785,179	$786,283
Deferred Inflows of Resources			
Differences between expected and actual experience	$42,768	$178,199	$220,967
Changes of assumptions	114,133	156,599	270,732
Net difference between projected and actual earnings on OPEB plan investments	134,417	121,798	256,215
Changes in proportion and differences between City contributions and proportionate share of contributions	54,671	19,550	74,221
Total Deferred Inflows of Resources	$345,989	$476,146	$822,135

$17,233 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase to the net OPEB asset in 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2023	($227,784)	$73,339	($154,445)
2024	(69,532)	55,257	(14,275)
2025	(29,369)	62,826	33,457
2026	(19,304)	22,532	3,228
2027	0	38,998	38,998
Thereafter	0	39,952	39,952
Total	($345,989)	$292,904	($53,085)

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. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions. The actuarial valuation used for 2021 compared to those used for 2020 are as follows:

	December 31, 2021	December 31, 2020
Wage Inflation	2.75 percent	3.25 percent
Projected Salary Increases,	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate	6.00 percent	6.00 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	1.84 percent	2.00 percent
Health Care Cost Trend Rate	5.5 percent, initial 3.50 percent, ultimate in 2034	8.5 percent, initial 3.50 percent, ultimate in 2035
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

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

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

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

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

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

Discount Rate A single discount rate of 6.0 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 1.84 percent (Fidelity Index's "20-Year Municipal GO AA Index"). The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
City's proportionate share of the net OPEB asset	($165,817)	($281,957)	($378,354)

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 percent lower or 1.0 percent higher than the current rate.

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB asset	($285,003)	($281,957)	($278,342)

Actuarial Assumptions – OP&F

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

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

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

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

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

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

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

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

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

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

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

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

Discount Rate For 2021, the total OPEB liability was calculated using the discount rate of 2.84 percent. For 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 7.5 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.05 percent at December 31, 2021, and 2.12 percent at December 31, 2020, was blended with the long-term rate of 7.5

percent for 2021 and 8 percent for 2020, which resulted in a blended discount rate of 2.84 percent for 2021 and 2.96 percent for 2020. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, and the municipal bond rate was applied to all health care costs after that date.

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

	1% Decrease (1.84%)	Current Discount Rate (2.84%)	1% Increase (3.84%)
City's proportionate share of the net OPEB liability	$1,694,864	$1,348,315	$1,063,454

Note 12 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation at different rates which are affected by length of service. At the time of separation the employee is not entitled to payment for any earned but unused vacation. Any active employee's unused vacation time remaining at year-end is forfeited. Sick leave is accrued at the rate of 4.6 hours for each 80 hours of completed service, including paid holidays and paid vacation. Administrative employees can accumulate up to a maximum of 1,200 hours of sick leave. Police, dispatch and service employees can accumulate up to a maximum of 1,200 hours of sick leave. Fire department employees have a maximum sick leave accumulation of 1,440 hours. Upon retirement, employees are paid for all vacation and sick days they have accumulated.

Health Care Benefits

Medical/surgical and prescription insurance is offered to employees through Anthem Blue Access. Vision and Dental insurance coverage is offered through Principal. Employee deductibles are covered by Gap Insurance through Morgan White Premium Saver.

For 2022 the cost per month for health care was as follows:

	Employee Only	Employee Plus Spouse	Employee Plus Children	Family
Anthem Blue Access	$727.72	$1,598.11	$1,248.26	$2,245.32
Principal - Vision Plan	7.41	12.47	12.73	20.52
Principal Base - Dental	17.26	35.18	46.54	67.36
Principal Buy-Up - Dental	40.76	82.93	99.47	147.48

The employee payroll deduction for the Anthem Blue Access, Principal Vision, Principal Base Dental and Principal Buy-Up Dental is 15 percent of the above figures for police, fire and union employees and 12 percent of the above figures for AFSCME union and non-union full time employees.

Life Insurance

Life insurance is provided to full-time employees through Principal Financial. Full-time employees receive $25,000 term life coverage. The City pays the total monthly premium.

Deferred Compensation

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

Note 13 - Long-term Obligations

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

Debt Issue	Interest Rate	Original Issue Amount	Year of Maturity
Governmental Activities			
General Obligation Bonds:			
Fire Truck - 2022	2.34%	1,025,000	2032
Salt Storage Facility - 2022	2.34%	615,000	2037
Ohio Public Works Commission Loan from Direct Borrowing:			
Rogers Road Slope Restoration - 2012	0.00%	50,000	2023
Ohio Water Development Authority Loans from Direct Borrowings:			
Oak Street Sewers - 2002	3.64%	232,330	2022
Euclid Creek Interceptor - 2003	3.03%	3,900,762	2025
Euclid Creek Sewers - 2005	3.25%	7,514,692	2027
Woodlands Sanitary Sewers - 2006	3.25%	501,651	2027
Sewer Laterals - 2007	4.17%	140,985	2027
Euclid Creek Tributary Watershed Area C - 2006	3.25%	3,244,473	2032
Business Type Activity			
Ohio Water Development Authority Loans from Direct Borrowings:			
Euclid Creek Interceptor - 2003	3.03%	3,900,762	2025
Euclid Creek Sewers - 2005	3.25%	7,514,692	2027
Ohio Public Works Commission Loans from Direct Borrowings:			
Euclid Interceptor - 2005	0.00%	500,000	2026
Euclid Sewer Phase II - 2006	0.00%	249,000	2027

Changes in long-term obligations of the City during 2022 were as follows:

	Restated Outstanding 12/31/2021	Additions	Reductions	Outstanding 12/31/2022	Due Within One Year
Governmental Type Activities					
General Obligation Bonds					
Fire Truck	$0	$1,025,000	$0	$1,025,000	$80,000
Salt Storage Facility	0	615,000	0	615,000	20,000
Total General Obligation Bonds	0	1,640,000	0	1,640,000	100,000
OPWC Loan from Direct Borrowing					
Rogers Road Slope Restoration	10,000	0	5,000	5,000	5,000
OWDA Loans from Direct Borrowings paid with Assessments					
Oak Street Sewers	16,016	0	16,016	0	0
Euclid Creek Interceptor	172,740	0	45,220	127,520	46,582
Euclid Creek Sewers	2,049,403	0	314,641	1,734,762	324,950
Woodlands Sanitary Sewers	185,656	0	28,504	157,152	29,437
Sewer Laterals	55,031	0	8,252	46,779	8,600
Euclid Creek Tributary Watershed Area C	1,841,705	0	106,574	1,735,131	158,645
Total OWDA Loans	4,320,551	0	519,207	3,801,344	568,214
Other Long-term Obligations					
Net Pension Liability:					
OPERS	1,394,026	0	641,940	752,086	0
OP&F	8,207,462	0	522,389	7,685,073	0
Total Net Pension Liability	9,601,488	0	1,164,329	8,437,159	0
Net OPEB Liability:					
OP&F	1,275,609	72,706	0	1,348,315	0
Leases Payable	42,741	6,415	10,440	38,716	12,290
Compensated Absences	485,248	224,321	165,697	543,872	182,402
Total Other Long-term Obligations	11,405,086	303,442	1,340,466	10,368,062	194,692
Total Governmental Type Activities	$15,735,637	$1,943,442	$1,864,673	$15,814,406	$867,906
Business-Type Activity					
OWDA Loans from Direct Borrowings					
Euclid Creek Interceptor	$689,464	$0	$191,935	$497,529	$197,813
Euclid Creek Sewers	731,720	0	112,340	619,380	116,020
Total OWDA Loans	1,421,184	0	304,275	1,116,909	313,833
OPWC Loans from Direct Borrowings					
Euclid Interceptor	112,500	0	25,000	87,500	25,000
Euclid Sewer Phase II	68,475	0	12,450	56,025	12,450
Total OPWC Loans	180,975	0	37,450	143,525	37,450
Other Long-term Obligations					
Asset Retirement Obligation	20,000	0	0	20,000	0
Net Pension Liability - OPERS	88,978	0	40,975	48,003	0
Total Other Long-term Obligations	108,978	0	40,975	68,003	0
Total Business-Type Activity	$1,711,137	$0	$382,700	$1,328,437	$351,283

General Obligation Bonds During 2022, the City issued $1,640,000 in various purpose bonds with an interest rate of 2.34 percent. The bonds were issued for a ten and fifteen year period with a final maturity during 2032 and 2037. The proceeds were used for a fire truck and the construction of a salt storage facility. The bonds will be repaid from the bond retirement debt service fund.

OWDA Loans Ohio Water Development Authority (OWDA) loans from direct borrowings consist of money owed to OWDA for sewer improvements. The OWDA loans for the Oak Street, Euclid Interceptor, Euclid Creek Sewers, Woodlands Sewers, Sewer Laterals and Euclid Creek Tributary Watershed Area C loans are paid from the general obligation bond retirement fund with special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The OWDA loan for the City's portion of the Euclid Creek Interceptor and Euclid Creek Sewers is paid from the sewer enterprise fund with user charges.

The City's outstanding OWDA loans from direct borrowings of $3,801,344 related to governmental activities and $1,116,909 related to business-type activities contain a provision that in an event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

OPWC Loans OPWC loans from direct borrowings consist of money owed to the Ohio Public Works Commission for the Rogers Road slope restoration and sewer improvements. The loans are interest free. OPWC loans will be paid from the road levy special revenue fund and the sewer enterprise fund.

The City's outstanding OPWC loans from direct borrowings of $5,000 related to governmental activities and $143,525 related to business-type activities contain a provision that in an event of default, (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, the OPWC may require that such payment be taken from the City's share of the City undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

The City has pledged future revenues to repay OWDA and OPWC loans in the sewer fund. The debt is payable solely from net revenues and is payable through 2027. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Total principal and interest remaining to be paid on finalized loans is $1,321,530. Principal and interest paid for the current year and total net revenues were $376,904 and $782,822, respectively.

Compensated Absences Compensated absences will be paid from the general fund.

Leases Payable Leases payable will be paid from the general fund and the safety forces and street construction, maintenance and repair special revenue funds.

Asset Retirement Obligation The asset retirement obligation will be paid from the sewer fund.

Net Pension/OPEB Liability There is no repayment schedule for the net pension liability and net OPEB liability. However, employer pension and OPEB contributions are made from the following funds: the general fund, the court improvement, safety forces, fire levy, street construction, maintenance and repair, road levy, park maintenance special revenue funds and the sewer enterprise fund. For additional information related to the net pension and net OPEB liabilities see Notes 10 and 11.

The City's overall legal debt margin was $32,290,125 with an unvoted debt margin of $16,243,954 at December 31, 2022.

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

Governmental Activities:

			From Direct Borrowings		
	General Obligation Bonds		OWDA Loans		OPWC Loans
Year	Principal	Interest	Principal	Interest	Principal
2023	$100,000	$62,574	$568,214	$114,671	$5,000
2024	125,000	36,036	586,787	96,596	0
2025	130,000	33,111	589,495	77,929	0
2026	135,000	30,069	574,863	59,393	0
2027	140,000	26,910	593,789	41,006	0
2028-2032	725,000	85,059	888,196	68,046	0
2033-2037	285,000	20,358	0	0	0
Total	$1,640,000	$294,117	$3,801,344	$457,641	$5,000

Business-Type Activity:

	From Direct Borrowings		
	OWDA Loans		OPWC Loans
Year	Principal	Interest	Principal
2023	$313,833	$26,760	$37,450
2024	323,694	18,075	37,450
2025	219,590	9,119	37,450
2026	127,801	5,053	24,950
2027	131,991	2,089	6,225
Total	$1,116,909	$61,096	$143,525

The City has outstanding agreements to lease copiers. Due to the implementation of GASB Statement 87, these copier leases have met the criteria of leases thus requiring them to be recorded by the City. The future lease payments were discounted based on the interest rate implicit in the lease or using the City's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining leases is as follows:

Year	Principal	Interest
2023	$12,290	$994
2024	12,664	620
2025	12,085	235
2026	1,677	27
	$38,716	$1,876

Note 14 - Contingencies

Grants

The City receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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.

Litigation

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

Note 15 - Jointly Governed Organization

The Northeast Ohio Public Energy Council

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 235 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Willoughby Hills did not contribute to NOPEC during 2022. Financial information can be obtained by contacting Ronald McVoy, Board Chairman, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

Regional Income Tax Agency

The Regional Income Tax Agency (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 income taxes on behalf of each member. RITA currently has approximately 350 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. For 2022, the City paid RITA $247,688 for income tax collection services.

Note 16 – Encumbrances

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

Governmental Funds:	
General	$669,947
Safety Forces	388,878
Road Levy	206,996
Other Governmental Funds	518,475
Business-Type Fund:	
Sewer	511,646
Total	$2,295,942

Note 17 – Tax Abatement Disclosures

As of December 31, 2022, the City of Willoughby Hills provides tax incentive through the State of Ohio's Community Reinvestment Area Program authorized by Section 3735 of the Ohio Revised Code.

Real Estate Tax Abatements

Pursuant to Ohio Revised Code Chapter 5709, the City established a Community Reinvestment area in 2006 which includes all land within the boundaries of the City of Willoughby Hills. The City of Willoughby Hills authorizes incentives through passage of public ordinances, based upon each business' investment criteria, and through a contractual application process with each business, including proof that the improvement has 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 by the Lake County Auditor.

The establishment of the Community Reinvestment Area gives the City the ability to maintain and expand businesses located in Willoughby Hills and create new jobs by abating or reducing assessed valuation of properties. This results in additional tax revenue for the City and the School District compared to the amount paid by property before being improved while abating a portion of the property taxes which result from the new and/or improved business real estate. The City of Willoughby Hills also will contract with the Willoughby-Eastlake City School District when required by Section 5709.82 of the Ohio Revised Code for payments in lieu of taxes. To date, the City has not been required to enter into any revenue sharing agreements with the School District.

City Council's incentive criteria for decision making

The City of Willoughby Hills has offered CRA abatements to three businesses based upon substantial project investment into the City. Below is the information relevant to the disclosure of those programs for the year ended December 31, 2022.

Tax Abatement Program	Total Amount of Taxes Abated (Incentives Abated) for the year 2022 (In Actual Dollars)
Community Reinvestment Area (CRA)	
- Retail	$257
- Veterinarian Rehabilitation Facility	1,638
- Senior Congregate Care	6,520

Note 18 – Public Entity Risk Pool

Risk Sharing Authority

Property and Liability

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. (At December 31, 2022 the Pool retained $500,000 for casualty claims and $250,000 for property claims). The Board of Directors and Sedgwick periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain. The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective PEP member.

Financial Position

PEP's financial statements (for which an independent audit is still ongoing) conform to generally accepted accounting principles, and preliminarily show the following assets, liabilities and net position at December 31, 2022 and 2021:

Casualty and Property Coverage	2022	2021
Assets	$61,537,313	$59,340,305
Liabilities	18,643,081	17,071,953
Net Position - Unrestricted	$42,894,232	$42,268,352

At December 31, 2022 and 2021, the liabilities in the preceding table include unknown amounts of estimated incurred claims payable. The casualty coverage assets and net position in the preceding table include approximately $14.4 million and $13.9 million of unpaid claims to be billed to approximately 608 member governments in the future, as of December 31, 2022 and 2021, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

As indicated by PEP, the rates PEP charges to compute member contributions, which are used to pay claims as they become due, are expected to increase from those used to determine the historical contributions detailed as follows. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

The City's contributions for the past three years are as follows:

Year	Contributions to PEP
2022	$97,521
2021	86,335
2020	79,742

After completing one year of membership, members may withdraw on each anniversary date of the date they joined PEP, provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligations to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to withdrawal.

Note 19 – Asset Retirement Obligations

The Governmental Accounting Standard Board's (GASB) Statement No. 83, *Certain Asset Retirement Obligations,* provides guidance related to asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the City would be responsible to address any public safety issues associated with their waste water treatment facilities. These public safety issues would include removing/filling any tankage, cleaning/removing certain equipment, and backfilling certain exposed areas. This asset retirement obligation (ARO) of $20,000 associated with the City waste water treatment facilities was estimated by the City engineer. The remaining useful life of these facilities is 45 years.

Note 20 – 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 April 2023. During 2022, the City received COVID-19 funding. The City will continue to spend available COVID-19 funding consistent with the applicable program guidelines. 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.

Note 21 – Deficit Funds

At December 31, 2022, the FEMA, law enforcement grant and court improvement special revenue funds had deficit fund balances of $10,949, $1,386 and $800, respectively. These deficits were the result of short-term interfund loans and the recognition of payables in accordance with generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 22 – Changes in Accounting Principle

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

GASB Statement 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the City's 2022 financial statements. The City recognized $1,014,591 in leases receivable at January 1, 2022; however, this entire amount was offset by the deferred inflows related to leases. The City also recognized $42,741 in leases payable in January 1, 2022 which was offset by the intangible asset, right to use lease – equipment.

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

GASB 92 addresses a variety of topics including reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers and references to nonrecurring fair value measurements of assets or liabilities in authoritative literature. These changes did not impact the City's financial statements

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

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

Required Supplementary Information

City of Willoughby Hills, Ohio

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

	2022	2021	2020	2019
City's Proportion of the Net Pension Liability	0.0091960%	0.0100150%	0.0111350%	0.0103670%
City's Proportionate Share of the Net Pension Liability	$800,089	$1,483,004	$2,200,908	$2,839,311
City's Covered Payroll	$1,337,214	$1,410,079	$1,419,907	$1,540,686
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	59.83%	105.17%	155.00%	184.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.62%	86.88%	82.17%	74.70%

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

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

See accompanying notes to the required supplementary information.

2018	2017	2016	2015	2014
0.0133910%	0.0144700%	0.0141460%	0.0144540%	0.0144540%
$2,100,788	$3,285,891	$2,450,266	$1,743,290	$1,703,915
$1,775,877	$1,870,633	$1,760,608	$1,772,050	$1,857,679
118.30%	175.66%	139.17%	98.38%	91.72%
84.66%	77.25%	81.08%	86.45%	86.36%

City of Willoughby Hills, Ohio

Required Supplementary Information

Schedule of the City's Proportionate Share of the

Net Pension Asset

Ohio Public Employees Retirement System - Combined Plan

Last Five Years (1)

	2022	2021	2020	2019	2018
City's Proportion of the Net Pension Asset	0.0033050%	0.0032800%	0.0033490%	0.0032440%	0.0033150%
City's Proportionate Share of the Net Pension Asset	\$13,022	\$9,469	\$6,984	\$3,627	\$4,512
City's Covered Payroll	\$15,064	\$14,664	\$14,907	\$13,879	\$13,577
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-86.44%	-64.57%	-46.85%	-26.13%	-33.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	169.88%	157.67%	145.28%	126.64%	137.28%

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

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

See accompanying notes to the required supplementary information.

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City of Willoughby Hills, Ohio

Required Supplementary Information

Schedule of the City's Proportionate Share of the

Net OPEB Liability (Asset)

Ohio Public Employees Retirement System - OPEB Plan

Last Six Years (1)

	2022	2021	2020
City's Proportion of the Net OPEB Liability (Asset)	0.0090020%	0.0102200%	0.0112640%
City's Proportionate Share of the Net OPEB Liability (Asset)	($281,957)	($182,076)	$1,555,851
City's Covered Payroll	$1,407,028	$1,544,493	$1,501,514
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-20.04%	-11.79%	103.62%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	128.23%	115.57%	47.80%

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

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

See accompanying notes to the required supplementary information.

2019	2018	2017
0.0100890%	0.0130000%	0.0140600%
$1,315,367	$1,411,704	$1,420,108
$1,646,365	$1,848,504	$1,942,508
79.90%	76.37%	73.11%
46.33%	54.14%	54.04%

City of Willoughby Hills, Ohio

Required Supplementary Information

Schedule of the City's Proportionate Share of the

Net Pension Liability

Ohio Police and Fire Pension Fund

Last Nine Years (1)

	2022	2021	2020	2019
City's Proportion of the Net Pension Liability	0.1230119%	0.1203954%	0.1134192%	0.1145210%
City's Proportionate Share of the Net Pension Liability	$7,685,073	$8,207,462	$7,640,523	$9,347,939
City's Covered Payroll	$3,172,454	$3,109,300	$2,663,074	$2,687,082
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	242.24%	263.96%	286.91%	347.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.03%	70.65%	69.89%	63.07%

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

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

See accompanying notes to the required supplementary information.

2018	2017	2016	2015	2014
0.1122650%	0.1129650%	0.1094090%	0.1081730%	0.1081730%
$6,890,210	$7,155,090	$7,038,359	$5,603,803	$5,268,355
$2,488,142	$2,374,764	$2,269,951	$2,200,222	$2,126,908
276.92%	301.30%	310.07%	254.69%	247.70%
70.91%	68.36%	66.77%	71.71%	73.00%

City of Willoughby Hills, Ohio

Required Supplementary Information

Schedule of the City's Proportionate Share of the Net OPEB Liability

Ohio Police and Fire Pension Fund

Last Six Years (1)

	2022	2021	2020
City's Proportion of the Net OPEB Liability	0.1230119%	0.1203954%	0.1134192%
City's Proportionate Share of the Net OPEB Liability	$1,348,315	$1,275,609	$1,120,323
City's Covered Payroll	$3,172,454	$3,109,300	$2,663,074
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	42.50%	41.03%	42.07%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.90%	45.42%	47.08%

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

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

See accompanying notes to the required supplementary information.

2019	2018	2017
0.1145210%	0.1122650%	0.1129650%
$1,042,889	$6,360,779	$5,362,195
$2,687,082	$2,488,142	$2,374,764
38.81%	255.64%	225.80%
46.57%	14.13%	15.96%

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

	2022	2021	2020	2019
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	$203,430	$187,210	$197,411	$198,787
Contributions in Relation to the Contractually Required Contribution	(203,430)	(187,210)	(197,411)	(198,787)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll	$1,453,071	$1,337,214	$1,410,079	$1,419,907
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net Pension Liability - Combined Plan				
Contractually Required Contribution	$2,159	$2,109	$2,053	$2,087
Contributions in Relation to the Contractually Required Contribution	(2,159)	(2,109)	(2,053)	(2,087)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll	$15,421	$15,064	$14,664	$14,907
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability - OPEB Plan (1)				
Contractually Required Contribution	$1,104	$2,190	$4,790	$2,668
Contributions in Relation to the Contractually Required Contribution	(1,104)	(2,190)	(4,790)	(2,668)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll (2)	$1,496,092	$1,407,028	$1,544,493	$1,501,514
OPEB Contributions as a Percentage of Covered Payroll	0.07%	0.16%	0.31%	0.18%

(1) Information prior to 2016 is not available for the OPEB plan.
(2) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See accompanying notes to the required supplementary information.

2018	2017	2016	2015	2014	2013
$215,696	$230,864	$224,476	$211,273	$212,646	$241,498
(215,696)	(230,864)	(224,476)	(211,273)	(212,646)	(241,498)
$0	$0	$0	$0	$0	$0
$1,540,686	$1,775,877	$1,870,633	$1,760,608	$1,772,050	$1,857,679
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
$1,943	$1,765	$1,593	$1,430	$812	$923
(1,943)	(1,765)	(1,593)	(1,430)	(812)	(923)
$0	$0	$0	$0	$0	$0
$13,879	$13,577	$13,275	$11,917	$6,767	$7,100
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
$3,672	$20,257	$40,022			
(3,672)	(20,257)	(40,022)			
$0	$0	$0			
$1,646,365	$1,848,504	$1,942,508			
0.22%	1.10%	2.06%			

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

	2022	2021	2020	2019
Net Pension Liability				
Contractually Required Contribution	$675,075	$663,516	$644,874	$549,369
Contributions in Relation to the Contractually Required Contribution	(675,075)	(663,516)	(644,874)	(549,369)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll (1)	$3,225,804	$3,172,454	$3,109,300	$2,663,074
Pension Contributions as a Percentage of Covered Payroll	20.93%	20.91%	20.74%	20.63%
Net OPEB Liability				
Contractually Required Contribution	$16,129	$15,862	$15,547	$13,316
Contributions in Relation to the Contractually Required Contribution	(16,129)	(15,862)	(15,547)	(13,316)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%
Total Contributions as a Percentage of Covered Payroll	21.43%	21.41%	21.24%	21.13%

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

See accompanying notes to the required supplementary information.

2018	2017	2016	2015	2014	2013
$551,654	$511,058	$491,025	$468,382	$452,696	$372,776
(551,654)	(511,058)	(491,025)	(468,382)	(452,696)	(372,776)
$0	$0	$0	$0	$0	$0
$2,687,082	$2,488,142	$2,374,764	$2,269,951	$2,200,222	$2,126,908
20.53%	20.54%	20.68%	20.63%	20.58%	17.53%
$13,436	$12,441	$11,873	$11,349	$11,001	$76,923
(13,436)	(12,441)	(11,873)	(11,349)	(11,001)	(76,923)
$0	$0	$0	$0	$0	$0
0.50%	0.50%	0.50%	0.50%	0.50%	3.62%
21.03%	21.04%	21.18%	21.13%	21.08%	21.15%

Changes in Assumptions – OPERS Pension– Traditional Plan

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

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

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

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

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

Amounts reported beginning in 2022 use pre-retirement mortality rates based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all these tables.

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

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

Changes in Assumptions – OPERS Pension – Combined Plan

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

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

Changes in Assumptions – OP&F Pension

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

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

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

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

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

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

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

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

Changes in Assumptions – OPERS OPEB

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

Changes in Assumptions – OP&F OPEB

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

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

Changes in Benefit Terms – OPERS OPEB

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in 2021.

Changes in Benefit Terms – OP&F OPEB

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

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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 City Council
City of Willoughby Hills
Lake County, Ohio
35405 Chardon Road
Willoughby Hills, Ohio 44094

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willoughby Hills, Lake County, 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.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Rea & Associates, Inc.
Medina, Ohio
June 27, 2023

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF WILLOUGHBY HILLS

LAKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 8/24/2023

88 East Broad Street, Columbus, Ohio 43215
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