CITY OF BEDFORD HEIGHTS

CUYAHOGA COUNTY

Regular Audit

For the Year Ended December 31, 2022

Charles E. Harris
& Associates, Inc.
CPAs and Government Consultants

OHIO AUDITOR OF STATE
KEITH FABER

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City Council
City of Bedford Heights
5661 Perkins Road
Bedford Heights, Ohio 44146

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

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

Keith Faber
Auditor of State
Columbus, Ohio

December 27, 2023

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City of Bedford Heights
Cuyahoga County

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INDEPENDENT AUDITOR'S REPORT

City of Bedford Heights
Cuyahoga County
5661 Perkins Road
Bedford Heights, Ohio 44146-2597

To the Members of the City Council:

Report on the Audit of the Financial Statements

Opinion

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 Bedford Heights, Cuyahoga 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bedford Heights, Cuyahoga County, Ohio as of December 31, 2022, and the respective changes in financial position and where applicable, cashflows thereof and the budgetary comparison for the General, Fire Levy, and the Issue 24 Levy funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*.

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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

Charles E Harris & Associates

Charles E. Harris & Associates, Inc.
October 26, 2023

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The discussion and analysis of the City of Bedford Heights' (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2022. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

Financial Highlights

Key financial highlights for 2022 are as follows:

- For the year ended December 31, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. The implementation of this statement did not impact net position as of December 31, 2021. See Note 3 for additional information.

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $33,891,979.

- Total assets increased by $7,970,222 and deferred outflows of resources increased by $1,837,180 in 2022. The largest increase in total assets was cash and cash equivalents of $5,524,970. The largest increase for deferred outflows of resources related to pension activities.

- Total liabilities decreased by $2,132,567 and deferred inflows of resources increased by $4,154,487 in 2022. The main fluctuation in liabilities related to net pension liability, (down $3,028,060). The increase in deferred inflows of resources was related primarily to pension activities.

Using this Annual Financial Report

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements – Reporting the City of Bedford Heights as a Whole

Statement of Net Position and the Statement of Activities

The Statement of Net Position presents information on all the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two 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 is improving or deteriorating. However, in evaluating the overall position of the City, nonfinancial factors such as the City's tax base, change in property and income tax laws, and the condition of the capital assets should also be considered.

Both the Statement of Net Position and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

- Governmental activities: most of the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. Income tax, state and county taxes, licenses, permits and charges for services finance most of these activities.

- Business-type activities: the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer system is reported here.

Fund Financial Statements - Reporting the City **of** *Bedford Heights' 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 objects. 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 funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all *other financial assets* that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and 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, fire levy special revenue fund, Issue 24 levy special revenue fund, and the capital improvements capital projects fund, all of which are considered to be major funds.

Proprietary Funds

The City maintains three proprietary funds; one enterprise fund and two internal service funds. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. Because these activities benefit governmental rather than business functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found starting on page 30 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 36 of this report.

Government-wide Financial Analysis – City of Bedford Heights as a Whole

As noted earlier, the Statement of Net Position looks at the City as a whole and can prove to be a useful indicator of the City's financial position.

The Statement of Net Position and the Statement of Activities are divided into the following categories:

- Assets and deferred outflows of resources
- Liabilities and deferred inflows of resources
- Net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources)
- Program expenses and revenues
- General revenues
- Net position beginning and end of year

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

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and other assets	$ 33,269,449	$ 26,964,190	$ 12,214,820	$ 10,869,479	$ 45,484,269	$ 37,833,669
Capital assets, net	14,609,315	14,261,063	6,166,751	6,571,452	20,776,066	20,832,515
Net pension asset	31,841	26,476	12,462	10,363	44,303	36,839
Net OPEB asset	635,459	370,541	248,719	145,030	884,178	515,571
Total assets	48,546,064	41,622,270	18,642,752	17,596,324	67,188,816	59,218,594
Deferred outflows of resources:						
Pension	4,279,135	2,213,061	305,626	177,919	4,584,761	2,390,980
OPEB	1,053,988	1,339,552	345	71,450	1,054,333	1,410,934
Total deferred outflows of resources	5,333,123	3,552,613	305,971	249,369	5,639,094	3,801,914
Liabilities:						
Current liabilities	2,694,832	2,050,565	390,914	213,301	3,085,746	2,263,866
Long-term liabilities:						
Due within one year	802,718	841,520	152,412	136,038	955,130	977,558
Other amounts due in more than one year	1,722,838	1,696,173	436,867	432,278	2,159,705	2,128,451
Net pension liability	13,676,699	16,163,711	731,119	1,272,167	14,407,818	17,435,878
Net OPEB liability	2,071,799	2,007,012	-	-	2,071,799	2,007,012
Total liabilities	20,968,886	22,758,981	1,711,312	2,053,784	22,680,198	24,812,765
Deferred inflows of resources:						
Property taxes	5,131,255	5,291,377	-	-	5,131,255	5,291,377
Pension	6,675,718	3,604,557	925,812	593,941	7,601,530	4,198,498
OPEB	1,556,921	2,135,897	273,165	475,542	1,830,086	2,611,371
Payment in lieu of taxes	481,926	-	-	-	481,926	-
Leases	1,210,936	-	-	-	1,210,936	-
Total deferred inflows of resources	15,056,756	11,031,831	1,198,977	1,069,483	16,255,733	12,101,246
Net position:						
Net investment in capital assets	13,340,537	12,928,797	5,930,592	6,330,751	19,271,129	19,259,548
Restricted for:						
Capital projects	610,475	979,840	-	-	610,475	979,840
Debt service	613,172	207,375	-	-	613,172	207,375
Streets	752,659	799,102	-	-	752,659	799,102
Public safety	1,257,645	985,300	-	-	1,257,645	985,300
Other purposes	10,013	14,125	-	-	10,013	14,125
Unrestricted	1,269,044	(4,530,468)	10,107,842	8,391,675	11,376,886	3,861,207
Total net position	$ 17,853,545	$ 11,384,071	$ 16,038,434	$ 14,722,426	$ 33,891,979	$ 26,106,497

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

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

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

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

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

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

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

Total assets increased primarily due to an increase in cash and cash equivalents. The increase in cash and cash equivalents is the product of revenues outpacing expenditures in 2022. The total net position of the City increased $7,785,482. This increase was primarily due to increases in income tax revenues. Expense increased due to a reduction in expenses associated with pension and OPEB plans that occurred in the prior year.

The City makes concerted efforts to maximize the return on investments of its cash and cash equivalents and uses these funds to provide liquidity for planned future capital purchases. Due to the interest rates in the past, the investments have remained in liquid money market accounts, i.e., STAR Ohio and Huntington National Bank. However, even though the State statute allows for investments with maturities of five years or less, the City has not invested in any instrument with a maturity of more than one year.

Another tool used by the City to reduce its long-term liability is to pay off accumulated sick leave for police and fire employees. Upon the request of a police or fire employee with over ten years of service, accumulated sick time may be paid out on an annual basis. This allows the City to pay accumulated sick hours at the current hourly rate as opposed to paying for it at a higher rate in the future at the time of retirement. The employees benefit by having funds available to them currently with the opportunity to invest them and potentially gain a higher rate of return as opposed to receiving payment at a future date.

The City is also a member of N.O.R.M.A. Self Insurance Pool, Inc. for liability insurance and workers' compensation. Significant savings in premiums have resulted from being a member of the above referenced insurance pool. In addition, the City conducts random drug testing of employees with CDL licenses which aids in reducing workers' compensation premiums.

The net position of the business-type activities increased $1,316,008 in 2022. The City generally can only use this net position to finance the continuing operations of the sewer system.

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 year compared to the prior year.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program revenues						
Charges for services	$ 1,907,282	$ 1,752,983	$ 4,326,930	$ 4,199,582	$ 6,234,212	$ 5,952,565
Operating grants	72,151	7,028	-	-	72,151	7,028
Capital grants	-	323,278	-	11,000	-	334,278
Total program revenues	1,979,433	2,083,289	4,326,930	4,210,582	6,306,363	6,293,871
General revenues						
Property taxes	5,357,059	4,774,637	-	-	5,357,059	4,774,637
Income taxes	13,947,396	12,310,533	-	-	13,947,396	12,310,533
Grants and entitlements	1,927,888	2,034,042	-	-	1,927,888	2,034,042
Investment earnings	53,122	574	7,583	326	60,705	900
Other and gain on sale of capital assets	47,429	91,267	-	-	47,429	91,267
Total revenues	23,312,327	21,294,342	4,334,513	4,210,908	27,646,840	25,505,250
Program expenses						
General government	3,885,066	2,767,206	-	-	3,885,066	2,767,206
Security of persons and property	8,576,983	8,501,217	-	-	8,576,983	8,501,217
Public health and welfare	196,794	161,611	-	-	196,794	161,611
Leisure time activities	1,137,172	864,186	-	-	1,137,172	864,186
Community development	294,158	201,999	-	-	294,158	201,999
Basic utility services	807,954	648,282	-	-	807,954	648,282
Transportation	1,930,056	1,162,947	-	-	1,930,056	1,162,947
Interest and fiscal charges	14,670	16,379	-	-	14,670	16,379
Sewer	-	-	3,018,505	2,391,367	3,018,505	2,391,367
Total program expenses	16,842,853	14,323,827	3,018,505	2,391,367	19,861,358	16,715,194
Change in net position	6,469,474	6,970,515	1,316,008	1,819,541	7,785,482	8,790,056
Net position, beginning of year	11,384,071	4,413,556	14,722,426	12,902,885	26,106,497	17,316,441
Net position, end of year	$ 17,853,545	$ 11,384,071	$ 16,038,434	$ 14,722,426	$ 33,891,979	$ 26,106,497

Effects of GASB 68 and 75

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

Under GASB 68, pension expense represents additional amounts earned based on a proportionate share of the net pension liability adjusted by a corresponding proportionate share of deferred outflows and inflows. Under GASB 68, the pension expense for 2022 is $(198,619), while in 2021 pension expense was $622,272.

Under GASB 75, OPEB expense represents additional amounts earned based on a proportionate share of the net OPEB liability adjusted by a corresponding proportionate share of deferred outflows and inflows. Under GASB 75, the OPEB expense for 2022 is $(703,501), while in 2021 OPEB expense was $(3,055,309).

Governmental Activities

Several revenue sources fund our governmental activities with the City's property and income tax being the largest contributors. The City's income tax revenue source is the largest contributor with a rate of 2% on gross income, which has not changed since 1982. Residents of the City who work in another community and pay the withholding tax for that community receive a 100% tax credit on their City tax, up to a limit of 2%. During 2022, the revenues generated from this tax amounted to $13,947,396. The City continues to enforce a delinquent letter program and the subpoena program to ensure compliance with the local tax laws.

Charges for services increased in the current year, as the community center was able to rebound from the effects of the pandemic.

Expenses for the City decreased due to increases in general government and transportation expenses. General government increased by $1,117,860 and transportation expenses increased by $767,109 from the prior year. The increase in general government was due to changes in pension and OPEB plans that caused a significant reduction in expenses in 2021. The increase in transportation related to the 2022 road program, which repaired streets throughout the City.

As of December 31, 2022 the fire department is comprised of 22 members. There is one fire chief, three captains, three lieutenants, and 15 firefighters. While 21 members of the department are certified paramedics, there is one firefighter who serves as an Emergency Medical Technician, in accordance with the collective bargaining agreement. The department's roster is intended to not be less than 18 paramedics, which allows for the response of two ambulances that can provide advance lifesaving skills.

Three members of the department are on the regional hazardous material response team and one is a HCO (Hazardous Command Officer). The staffing of the department is done in three shifts that rotate 24 hour tours. During this time, they conduct daily training that consists of building walkthroughs, attending continuing education classes, performing joint exercises with neighboring departments and watching training videos. After large or difficult emergencies, the shifts do a post incident critique to improve services. In 2022, the department responded to 2,882 calls with 77% relating to emergency medical services.

The department is very proactive in public education efforts. Fire extinguisher training and CPR/first aid training is provided to the business community regularly. Additionally, the department teaches at schools, safety town and has assisted residences with installing working smoke detectors in their homes.

The amount the department spent on overtime expenses during 2022 was $160,535 as compared to $90,278 during 2021. The total cost of operating the Fire and EMS department during 2022 was $2,993,139, which is in the fire levy fund. The City annually transfers into the fire levy fund the difference between the revenue generated from the 3 mill fire levy and the operating expenses incurred. In 2022, the transfer from the general fund was $2,000,000.

Business-Type Activities

The business-type activities of the City, which include the City's sewer operations, increased the City's net position by $1,316,008. Net program revenues exceeded program expenses for the sewer operations during 2022 as charges for services continue to outpace operating expenditures. Expenses for the sewer operations increased due to changes in pension and OPEB plans that caused a significant reduction in expenses in 2021.

The City's Funds

Governmental Funds

Information about the City's major funds starts on page 20. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of $28,981,334 and expenditures and other financing uses of $25,051,481. The net change in fund balance for the year in the City's most significant fund, the general fund, showed an increase in fund balance of $3,734,089 which resulted in a year-end fund balance of $15,600,647.

The capital improvements fund reflected a decrease in fund balance of $515,665, which resulted in a fund balance of $1,244,187. Transportation expense increased in the current year due to the 2022 road repair program.

The fire levy fund and issue 24 levy fund ending fund balance increased $47,923 and $149,978, respectively, during 2022. The nonmajor government funds ending fund balance increased $513,528, during the year.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. An annual appropriation budget is legally required to be prepared for all funds of the City other than fiduciary funds. City Council is provided with a detailed line item budget for all departments and after a discussion at a regularly held City Council meeting, which is open to the public; the budget is adopted by City Council. City Council must approve legislation for any revisions in the budget that alter totals or the total appropriations for any department or fund. The finance department watches all the departmental budgets closely to monitor compliance with allocated budgets and provides monthly reports to City Council depicting monthly and year-to-date activity.

For the general fund, final budget-basis revenue and other financing sources of $12,590,963 increased from the original budget estimates of $12,579,354. The original appropriations for the general fund were $15,319,989, including other financing uses. The final appropriations, including other financing uses, were $19,505,544. The City historically budgets to expend nearly 100% of their available resources, when actually 103% of available resources were budgeted to be expended in 2022. The City's actual revenues ended $4,425,198 above the final budgeted amount due to an increase in property taxes.

The City's ending unobligated budgetary fund balance was $9,968,977 higher than the final budgeted amount mostly due lower than expected transfers out and increase in tax revenues.

Business-Type Funds

The City's major enterprise fund consists of the sewer treatment fund. The basic financial statements for the major fund are included in this report. Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the sewer treatment fund. The basic proprietary fund financial statements can be found on pages 30 through 33 of this report.

Capital Assets and Debt Administration

Capital Assets

At the end of 2022, the City had $20,776,066 invested in land, buildings and improvements, furniture, fixtures and equipment, vehicles, and infrastructure.

Table 3 shows 2022 balances of capital assets as compared to 2021:

Table 3
Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	$ 2,231,201	$ 2,231,201	$ 99,200	$ 99,200	$ 2,330,401	$ 2,330,401
Construction in progress	1,312,877	513,454	295,438	295,438	1,608,315	808,892
Buildings and improvements	21,592,493	21,538,772	5,014,640	5,014,640	26,607,133	26,553,412
Furniture, fixtures and equipment	6,957,244	6,403,735	7,952,932	7,952,932	14,910,176	14,356,667
Vehicles	3,727,487	3,589,892	676,407	676,407	4,403,894	4,266,299
Infrastructure	16,240,092	16,240,092	7,142,403	7,142,403	23,382,495	23,382,495
Less: accumulated depreciation	(37,452,079)	(36,256,083)	(15,014,269)	(14,609,568)	(52,466,348)	(50,865,651)
Total capital assets	$ 14,609,315	$ 14,261,063	$ 6,166,751	$ 6,571,452	$ 20,776,066	$ 20,832,515

The City has an aggressive stance on maintaining its assets, including infrastructure, in excellent condition insofar as financial resources allow. Vehicles such as fire trucks and ambulances are planned for well in advance by the respective department heads and a scheduled maintenance and replacement timetable is followed to provide peak performance for the maximum time frame (5 to 6 years).

With regards to the infrastructure, the City's engineering, public works and water reclamation departments maintain a comprehensive listing of all the streets and sewer lines in the City. As part of the City's annual road maintenance program, the engineer evaluates the condition of each street after each winter and prepares a list of streets to be either resurfaced or cracksealed and in the case of concrete roads, either replaced or repaired. After approval from City Council, the projects are bid out in early to late spring to get the best possible pricing from contractors. This program is paid for out of the street construction levy fund and capital improvements fund of the City.

The City is committed to a long-term goal of meeting the needs of its infrastructure and facilities. The City follows a five-year capital plan in place that provides for street, sanitary and storm improvements and maintaining our current structures. See Note 9 for more information on capital assets.

Debt

At December 31, 2022, the City had $19,594,452 in outstanding debt, compensated absences, asset retirement obligations and net pension/OPEB liability. Table 4 summarizes the outstanding obligations of the City.

Table 4
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Financed purchase	$ 709	$ 1,714	$ -	$ -	$ 709	$ 1,714
OPWC loans payable	571,458	449,345	236,159	240,701	807,617	690,046
Compensated absences	1,913,865	2,049,990	353,120	327,615	2,266,985	2,377,605
Asset retirement obligations	39,524	36,644	-	-	39,524	36,644
Net pension liability	13,676,699	16,163,711	731,119	1,272,167	14,407,818	17,435,878
Net OPEB liability	2,071,799	2,007,012	-	-	2,071,799	2,007,012
Total	$ 18,274,054	$ 20,708,416	$ 1,320,398	$ 1,840,483	$ 19,594,452	$ 22,548,899

More detailed information about the City's long-term liabilities is presented in Notes 10, 11, 13, 14 and Note 20 of the basic financial statements.

Current Related Financial Activities

In November 2010, the citizens of Bedford Heights approved a Charter Amendment to establish a levy of 8.9 mills to be used to pay the costs and expenses of operating the City's police, fire and emergency medical services, commencing in 2010 and first collections beginning in 2011. The levy of 8.9 mills, known as Issue 24 on the November 2, 2010 ballot, was passed by 69.9% of the voters. The real estate tax revenue from the Issue 24 levy for fiscal year 2021 amounted to $1,936,986. The real estate tax revenue from the Issue 24 levy for fiscal year 2022 amounted to $2,181,172. Based on estimates provided by the Cuyahoga County Auditor's office, real property tax revenue from the Issue 24 levy for fiscal year 2023 is estimated to be $2,082,630.

Despite the uncertainties caused by COVID-19, with respect to second half real estate tax revenue, the City of Bedford Heights' systems of budgeting and internal controls are well regarded and the City is well prepared to meet the challenges of the future. In conclusion, management has been committed to provide the residents of the City of Bedford Heights with full disclosure of the financial position of the City.

Contacting the City of Bedford Heights' Finance Department

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for all money it receives, spends, or invests. If you have any questions about this report or need additional financial information, contact the finance department, City of Bedford Heights, 5661 Perkins Road, Bedford Heights, Ohio 44146, telephone (440) 786-3223.

City of Bedford Heights, Ohio

Statement of Net Position

December 31, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	$ 21,086,631	$ 10,868,770	$ 31,955,401
Accounts receivable	110,246	1,250,868	1,361,114
Intergovernmental receivable	1,332,944	1,722	1,334,666
Supplies and materials inventory	96,934	34,602	131,536
Prepaid assets	227,391	58,858	286,249
Lease receivable	1,250,820	-	1,250,820
Property taxes receivable	5,787,124	-	5,787,124
Income taxes receivable	3,377,359	-	3,377,359
Non-depreciable capital assets	3,544,078	394,638	3,938,716
Depreciable assets, net	11,065,237	5,772,113	16,837,350
Net pension asset	31,841	12,462	44,303
Net OPEB asset	635,459	248,719	884,178
Total assets	48,546,064	18,642,752	67,188,816
Deferred outflows of resources:			
Pension	4,279,135	305,626	4,584,761
OPEB	1,053,988	345	1,054,333
Total deferred outflows of resources	5,333,123	305,971	5,639,094
Liabilities:			
Accounts payable	694,409	346,110	1,040,519
Accrued wages and benefits	290,768	44,804	335,572
Accrued interest payable	7,380	-	7,380
Notes payable	600,000	-	600,000
Unearned revenues	755,421	-	755,421
Retainage payable	106,291	-	106,291
Claims payable	240,563	-	240,563
Long term liabilities:			
Due within one year	802,718	152,412	955,130
Due in more than one year:			
Other amounts due in more than one year	1,722,838	436,867	2,159,705
Net pension liability	13,676,699	731,119	14,407,818
Net OPEB liability	2,071,799	-	2,071,799
Total liabilities	20,968,886	1,711,312	22,680,198
Deferred inflows of resources:			
Property taxes	5,131,255	-	5,131,255
Pension	6,675,718	925,812	7,601,530
OPEB	1,556,921	273,165	1,830,086
Payment in lieu of taxes	481,926	-	481,926
Lease	1,210,936	-	1,210,936
Total deferred inflows of resources	15,056,756	1,198,977	16,255,733
Net position:			
Net investment in capital assets	13,340,537	5,930,592	19,271,129
Restricted for:			
Capital projects	610,475	-	610,475
Debt service	613,172	-	613,172
Streets	752,659	-	752,659
Public safety	1,257,645	-	1,257,645
Other purposes	10,013	-	10,013
Unrestricted (deficit)	1,269,044	10,107,842	11,376,886
Total net position	$ 17,853,545	$ 16,038,434	$ 33,891,979

The accompanying notes are an integral part of these financial statements

City of Bedford Heights, Ohio

Statement of Activities

For the Year Ended December 31, 2022

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	$ 3,885,066	$ 723,270	$ -
Security of persons and property	8,576,983	610,183	72,151
Public health and welfare	196,794	9,697	-
Leisure time activities	1,137,172	251,714	-
Community development	294,158	302,418	-
Basic utility services	807,954	10,000	-
Transportation	1,930,056	-	-
Interest and fiscal charges	14,670	-	-
Total governmental activities	16,842,853	1,907,282	72,151
Business-type activities:			
Sewer	3,018,505	4,326,930	-
Total	$ 19,861,358	$ 6,234,212	$ 72,151

General revenues:
Property taxes and other local taxes levied for:
General purposes
Special revenues
Capital projects
Income taxes levied for:
General purposes
Grant and entitlements not restricted to specific programs
Investment income
Gain on sale of capital assets
Other
Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (3,161,796)	$ -	$ (3,161,796)
(7,894,649)	-	(7,894,649)
(187,097)	-	(187,097)
(885,458)	-	(885,458)
8,260	-	8,260
(797,954)	-	(797,954)
(1,930,056)	-	(1,930,056)
(14,670)	-	(14,670)
(14,863,420)	-	(14,863,420)
-	1,308,425	1,308,425
(14,863,420)	1,308,425	(13,554,995)
1,810,143	-	1,810,143
3,057,682	-	3,057,682
489,234	-	489,234
13,947,396	-	13,947,396
1,927,888	-	1,927,888
53,122	7,583	60,705
10,000	-	10,000
37,429	-	37,429
21,332,894	7,583	21,340,477
6,469,474	1,316,008	7,785,482
11,384,071	14,722,426	26,106,497
$ 17,853,545	$ 16,038,434	$ 33,891,979

The accompanying notes are an integral part of these financial statements

City of Bedford Heights, Ohio

Balance Sheet – Governmental Funds

December 31, 2022

	General	Fire Levy	Issue 24 Levy
Assets:			
Cash and cash equivalents	$ 13,436,274	$ 576,667	$ 754,524
Accounts receivable	49,143	50	-
Intergovernmental receivable	785,758	33,300	91,113
Supplies and materials inventory	3,572	-	-
Prepaid assets	132,180	38,937	49,833
Lease receivable	-	-	-
Property taxes receivable	1,955,466	792,757	2,351,843
Income taxes receivable	3,377,359	-	-
Total assets	$ 19,739,752	$ 1,441,711	$ 3,247,313
Liabilities:			
Accounts payable	$ 281,038	$ 5,017	$ 274
Accrued wages and benefits	82,081	43,396	47,869
Accrued interest payable	-	-	-
Notes payable	-	-	-
Unearned revenues	-	-	-
Retainage payable	14,659	-	-
Total liabilities	377,778	48,413	48,143
Deferred inflows of resources:			
Property taxes	1,733,849	702,912	2,085,303
Unavailable revenue	1,545,552	120,557	357,653
Payment in lieu of taxes	481,926	-	-
Lease	-	-	-
Total deferred inflows of resources	3,761,327	823,469	2,442,956
Fund balances:			
Nonspendable	141,588	38,937	49,833
Restricted	318,099	530,892	706,381
Committed	479,948	-	-
Assigned	3,084,768	-	-
Unassigned	11,576,244	-	-
Total fund balances	15,600,647	569,829	756,214
Total liabilities, deferred inflows of resources and fund balances	$ 19,739,752	$ 1,441,711	$ 3,247,313

Capital Improvements		Nonmajor Governmental Funds		Total Governmental Funds
$	2,295,392	$	3,546,097	$	20,608,954
	14,935		46,118		110,246
	20,475		396,910		1,327,556
	-		93,362		96,934
	-		6,441		227,391
	1,250,820		-		1,250,820
	528,504		158,554		5,787,124
	-		-		3,377,359
$	4,110,126	$	4,247,482	$	32,786,384
$	393,834	$	14,246	$	694,409
	-		117,422		290,768
	7,380		-		7,380
	600,000		-		600,000
	-		755,421		755,421
	91,632		-		106,291
	1,092,846		887,089		2,454,269
	468,607		140,584		5,131,255
	93,550		299,017		2,416,329
	-		-		481,926
	1,210,936		-		1,210,936
	1,773,093		439,601		9,240,446
	-		99,803		330,161
	530,103		2,091,693		4,177,168
	714,084		729,296		1,923,328
	-		-		3,084,768
	-		-		11,576,244
	1,244,187		2,920,792		21,091,669
$	4,110,126	$	4,247,482	$	32,786,384

The accompanying notes are an integral part of these financial statements

City of Bedford Heights, Ohio

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

December 31, 2022

Total governmental funds balances		$ 21,091,669
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.		14,609,315
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows of resources in the funds.		
Property and other taxes	$ 655,867	
Municipal income taxes	1,112,760	
Charges for services	3,046	
Intergovernmental	644,656	
Total		2,416,329
Internal service funds are used by management to charge the costs of certain activities, such as Worker's Compensation Insurance and Health Insurance that are not reported in the Governmental Funds. The assets and liabilities of the Internal Service Fund are reported with Governmental Activities.		242,502
Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.		
Asset retirement obligations	(39,524)	
OPWC loans payable	(571,458)	
Capital lease payable	(709)	
Compensated absences	(1,913,865)	
Total		(2,525,556)
The net pension asset/liability is not due in the current period; therefore, the asset/liability and related deferred outflows/inflows are not reported in the funds.		
Net pension asset	31,841	
Deferred outflows of resources - pension	4,279,135	
Net pension liability	(13,676,699)	
Deferred inflows of resources - pension	(6,675,718)	
Total		(16,041,441)
The net OPEB asset/liability is not due in the current period; therefore, the asset/liability and related deferred outflows/inflows are not reported in the funds.		
Net OPEB asset	635,459	
Deferred outflows of resources - OPEB	1,053,988	
Net OPEB liability	(2,071,799)	
Deferred inflows of resources - OPEB	(1,556,921)	
Total		(1,939,273)
Net position of governmental activities		$ 17,853,545

The accompanying notes are an integral part of these financial statements

City of Bedford Heights, Ohio

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

For the Year Ended December 31, 2022

	General	Fire Levy	Issue 24 Levy
Revenues:			
Property taxes	$ 1,813,558	$ 735,224	$ 2,181,172
Municipal income taxes	13,464,200	-	-
Intergovernmental	556,211	233,591	256,508
Charges for services	309,784	-	-
Licenses and permits	243,672	-	-
Fines and forfeitures	208,828	-	-
Investment income	9,048	-	-
Other	351,234	72,247	-
Total revenues	16,956,535	1,041,062	2,437,680
Expenditures:			
Current operations and maintenance:			
Security of persons and property	862,101	2,993,139	3,976,279
Public health and welfare	196,592	-	-
Leisure time activities	739,205	-	-
Community development	331,507	-	-
Basic utility services	866,266	-	-
Transportation	212,038	-	-
General government	4,269,237	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	1,005
Interest and fiscal charges	-	-	87
Total expenditures	7,476,946	2,993,139	3,977,371
Excess of revenues over (under) expenditures	9,479,589	(1,952,077)	(1,539,691)
Other financing sources (uses):			
Proceeds from OPWC loan	-	-	-
Transfers – in	-	2,000,000	1,675,000
Transfers – out	(5,745,500)	-	-
Sale of assets	-	-	14,669
Total other financing sources (uses)	(5,745,500)	2,000,000	1,689,669
Net change in fund balances	3,734,089	47,923	149,978
Fund balances, beginning of year	11,866,558	521,906	606,236
Fund balances, end of year	$ 15,600,647	$ 569,829	$ 756,214

The accompanying notes are an integral part of these financial statements

Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
$ 490,156	$ 147,052	$ 5,367,162
-	-	13,464,200
41,429	1,039,450	2,127,189
-	386,711	696,495
140,778	31,457	415,907
-	5,220	214,048
43,390	-	52,438
45,829	55,990	525,300
761,582	1,665,880	22,862,739
22,455	1,256,387	9,110,361
-	-	196,592
180,603	180	919,988
-	-	331,507
-	8,472	874,738
687,925	1,119,731	2,019,694
740,587	8,180	5,018,004
590,535	-	590,535
20,887	-	21,892
13,380	1,203	14,670
2,256,372	2,394,153	19,097,981
(1,494,790)	(728,273)	3,764,758
143,000	-	143,000
833,500	1,445,000	5,953,500
-	(208,000)	(5,953,500)
2,625	4,801	22,095
979,125	1,241,801	165,095
(515,665)	513,528	3,929,853
1,759,852	2,407,264	17,161,816
$ 1,244,187	$ 2,920,792	$ 21,091,669

The accompanying notes are an integral part of these financial statements

City of Bedford Heights, 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		$ 3,929,853
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay 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 depreciation and capital outlays differed in the current period.		
Capital outlay	$ 1,777,526	
Depreciation	(1,415,940)	
Total		361,586
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.		(13,334)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property and other taxes	(10,103)	
Municipal income taxes	483,196	
Intergovernmental	31,177	
Charges for services	(65,366)	
Total		438,904
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
OPWC loans	20,887	
Financed purchase	1,005	
Total		21,892

(continued)

City of Bedford Heights, Ohio

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

For the Year Ended December 31, 2022

Internal service funds are used by management to charge costs of certain activities, such as worker's compensation insurance and health insurance. The net revenue (expense) of the Internal Service Funds is reported with the Governmental Activities.			(240,505)
Other financing sources in the governmental funds that increase long-term liabilities in the Statement of Net Position.			
OPWC loan issued			(143,000)
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.			
Asset retirement obligation	(2,880)		
Compensated absences	136,125		
Total			133,245
Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.			1,474,559
Except for amounts reported as deferred outflows/inflows, changes in the net pension asset/liability are reported as pension/OPEB reduction of expense in the Statement of Activities.			506,274
Change in net position of governmental activities		$	6,469,474

The accompanying notes are an integral part of these financial statements

City of Bedford Heights, Ohio

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

For the Year Ended December 31, 2022

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Property taxes	$ 1,400,692	$ 1,406,996	$ 1,813,558	$ 406,562
Municipal income taxes	10,000,000	10,000,000	13,676,519	3,676,519
Intergovernmental	422,490	424,390	547,022	122,632
Charges for services	234,946	236,004	304,199	68,195
Licenses and permits	182,268	183,089	235,993	52,904
Fines and forfeitures	150,075	150,750	194,311	43,561
Other	188,883	189,734	244,559	54,825
Total revenues	12,579,354	12,590,963	17,016,161	4,425,198
Expenditures:				
Current operations and maintenance:				
Security of persons and property	1,065,623	1,102,381	926,965	175,416
Public health	227,820	235,942	200,493	35,449
Leisure time activities	926,244	957,140	815,764	141,376
Community development	363,178	376,143	315,830	60,313
Basic utility services	1,008,972	1,044,645	874,953	169,692
Transportation	388,889	399,818	340,017	59,801
General government	4,853,654	5,114,653	4,392,243	722,410
Total expenditures	8,834,380	9,230,722	7,866,265	1,364,457
Excess of revenues over expenditures	3,744,974	3,360,241	9,149,896	5,789,655
Other financing uses:				
Transfers – out	(6,485,609)	(10,274,822)	(6,095,500)	4,179,322
Net change in fund balance	(2,740,635)	(6,914,581)	3,054,396	9,968,977
Fund balance, beginning of year	6,265,993	6,265,993	6,265,993	-
Prior year encumbrances	382,588	382,588	382,588	-
Fund balance, end of year	$ 3,907,946	$ (266,000)	$ 9,702,977	$ 9,968,977

City of Bedford Heights, Ohio

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual – Fire Levy Fund

For the Year Ended December 31, 2022

	Budget Original	Budget Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	$ 851,807	$ 854,312	$ 735,224	$ (119,088)
Intergovernmental	270,631	271,426	233,591	(37,835)
Other	84,931	85,180	73,306	(11,874)
Total revenues	1,207,369	1,210,918	1,042,121	(168,797)
Expenditures:				
Current operations and maintenance:				
Security of persons and property	3,464,600	3,664,600	3,023,364	641,236
Excess of revenues under expenditures	(2,257,231)	(2,453,682)	(1,981,243)	472,439
Other financing sources:				
Transfers – in	2,317,138	2,323,948	2,000,000	(323,948)
Net change in fund balance	59,907	(129,734)	18,757	148,491
Fund balance, beginning of year	516,652	516,652	516,652	-
Prior year encumbrances	12,150	12,150	12,150	-
Fund balance, end of year	$ 588,709	$ 399,068	$ 547,559	$ 148,491

The accompanying notes are an integral part of these financial statements

City of Bedford Heights, Ohio

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual – Issue 24 Levy Fund

For the Year Ended December 31, 2022

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Property taxes	$ 2,422,914	$ 2,439,159	$ 2,181,172	$ (257,987)
Intergovernmental	301,232	303,252	271,177	(32,075)
Total revenues	2,724,146	2,742,411	2,452,349	(290,062)
Expenditures:				
Current operations and maintenance:				
Security of persons and property	4,557,841	4,627,841	4,070,413	557,428
Excess of revenues under expenditures	(1,833,695)	(1,885,430)	(1,618,064)	267,366
Other financing sources:				
Transfers – in	1,860,642	1,873,118	1,675,000	(198,118)
Net change in fund balance	26,947	(12,312)	56,936	69,248
Fund balance, beginning of year	485,960	485,960	485,960	-
Prior year encumbrances	127,041	127,041	127,041	-
Fund balance, end of year	$ 639,948	$ 600,689	$ 669,937	$ 69,248

The accompanying notes are an integral part of these financial statements

City of Bedford Heights, Ohio

Statement of Fund Net Position
Proprietary Funds

December 31, 2022

	Business-Type Activities	Governmental Activities
	Sewer Treatment Fund	Internal Services Funds
Assets:		
Current assets:		
Cash and cash equivalents	$ 10,868,770	$ 477,677
Accounts receivable, net	1,250,868	-
Intergovernmental receivable	1,722	5,388
Supplies and materials inventory	34,602	-
Prepaid expenses	58,858	-
Total current assets	12,214,820	483,065
Noncurrent assets:		
Non-depreciable capital assets	394,638	-
Depreciable capital assets, net	5,772,113	-
Net pension asset	12,462	-
Net OPEB asset	248,719	-
Total noncurrent assets	6,427,932	-
Total assets	18,642,752	483,065
Deferred outflows of resources:		
Pension	305,626	-
OPEB	345	-
Total deferred outflows of resources	305,971	-
Liabilities:		
Current liabilities:		
Accounts payable	346,110	-
Accrued wages and benefits	44,804	-
Claims payable	-	240,563
Accrued compensated absences	143,329	-
Due within one year – OPWC loans	9,083	-
Total current liabilities	543,326	240,563
Long-term liabilities (net of current portion):		
Accrued compensated absences	209,791	-
OPWC loans payable	227,076	-
Net pension liability	731,119	-
Total long-term liabilities	1,167,986	-
Total liabilities	1,711,312	240,563
Deferred inflows of resources:		
Pension	925,812	-
OPEB	273,165	-
Total deferred inflows of resources	1,198,977	-
Net position:		
Net investment in capital assets	5,930,592	-
Unrestricted	10,107,842	242,502
Total net position	$ 16,038,434	$ 242,502

The accompanying notes are an integral part of these financial statements

City of Bedford Heights, Ohio

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

For the Year Ended December 31, 2022

	Business-Type Activities	Governmental Activities
	Sewer Treatment Fund	Internal Services Funds
Operating revenues:		
Charges for services	$ 4,270,647	$ 1,423,965
Other	56,283	-
Total operating revenues	4,326,930	1,423,965
Operating expenses:		
Personal services	1,336,951	-
Travel and education	20,220	-
Contractual services	834,884	7,541
Supplies and materials	421,749	-
Claims	-	1,657,613
Depreciation	404,701	-
Total operating expenses	3,018,505	1,665,154
Operating income (loss)	1,308,425	(241,189)
Non-operating revenues:		
Investment income	7,583	684
Total non-operating revenues:	7,583	684
Change in net position	1,316,008	(240,505)
Net position, beginning of year	14,722,426	483,007
Net position, end of year	$ 16,038,434	$ 242,502

The accompanying notes are an integral part of these financial statements

City of Bedford Heights, Ohio

Statement of Cash Flows
Proprietary Funds

For the Year Ended December 31, 2022

	Business-Type Activities	Governmental Activities
	Sewer Treatment Fund	Internal Services Funds
Cash flows from operating activities:		
Cash received from customers	$ 4,070,627	$ -
Cash received from interfund services	-	1,418,577
Cash payments for goods and services	(889,082)	(7,541)
Cash payments to employees for services and benefits	(1,890,372)	-
Cash payments for materials and supplies	(197,560)	-
Cash payments for claims	-	(1,567,752)
Cash received for other operating activities	55,194	-
Net cash provided (used) by operating activities	1,148,807	(156,716)
Cash flows from capital and related financing activities:		
Capital contributions	1,000	-
Proceeds from sale of capital assets	2,526	-
Principal paid	(4,542)	-
Net cash used by capital and related financing activities	(1,016)	-
Cash flows from investing activities:		
Interest received	7,583	684
Net increase (decrease) in cash and cash equivalents	1,155,374	(156,032)
Cash and cash equivalents at beginning of year	9,713,396	633,709
Cash and cash equivalents at end of year	$ 10,868,770	$ 477,677

(continued)

City of Bedford Heights, Ohio

Statement of Cash Flows (continued)
Proprietary Funds

For the Year Ended December 31, 2022

		Business-Type Activities Sewer Treatment Fund		Governmental Activities Internal Services Funds
Reconciliation of operating income (loss) to net cash from operating activities:				
Operating income (loss)	$	1,308,425	$	(241,189)
Adjustments:				
Depreciation		404,701		-
Changes in assets/liabilities				
Increase in accounts receivable, net		(201,108)		-
Increase in intergovernmental receivable, net		-		(5,388)
Decrease in prepaid expenses		15,709		-
Increase in supplies and materials inventory		(8,093)		-
Increase in net pension asset		(2,099)		-
Increase in net OPEB asset		(103,690)		
Increase in deferred outflows - pension		(127,707)		-
Decrease in deferred outflows - OPEB		71,105		-
Increase in accounts payable		177,209		-
Increase in accrued wages and benefits		404		-
Increase in claims payable		-		89,861
Increase in accrued compensated absences		25,505		-
Decrease in net pension liability		(541,048)		-
Increase in deferred inflows - pension		331,871		-
Decrease in deferred inflows - OPEB		(202,377)		-
Net cash provided (used) by operating activities	$	1,148,807	$	(156,716)

The accompanying notes are an integral part of these financial statements

City of Bedford Heights, Ohio

Statement of Fiduciary Net Position
Fiduciary Fund

December 31, 2022

	Total Custodial Fund
Assets:	
Cash and cash equivalents	$ 20,542
Liabilities:	
Due to other governments	20,542
Net Position:	
Restricted for other governments	-
Total net position	$ -

The accompanying notes are an integral part of these financial statements

City of Bedford Heights, Ohio

Statement of Change in Fiduciary Net Position
Fiduciary Fund

For the Year Ended December 31, 2022

	Total Custodial Fund
Additions:	
Court deposits	$ 272,182
Deductions:	
Court disbursements	272,182
Change in net position	-
Net position, beginning of year	-
Net position, end of year	$ -

The accompanying notes are an integral part of these financial statements

Note 1: The Reporting Entity

The City of Bedford Heights (the "City") is a home rule municipal corporation established under the laws of the State of Ohio which operates under its own Charter. The current Charter, which provides for a mayor-council form of government, was adopted January 1, 1960.

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 Bedford Heights this includes police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, refuse collection and general administrative services. The City's departments include a public safety department, a public service department, a street maintenance department, a sanitation system department, parks and recreation department, a planning and zoning department, and a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation of each of these activities and entities is directly controlled by the City Council through the budgetary process.

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

Note 2: Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Government-Wide Financial Statements (continued)

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the City at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues 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 function 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

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.

B. Fund Accounting

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources.

Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

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

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Fire Levy Fund – Accounts for three (3) mills for each one dollar of assessed valuation for the purpose of operating, equipping and housing the City's own division of fire.

Issue 24 Levy Fund – Accounts for 8.9 mills for each one dollar of assessed valuation for the purpose of operating the City's safety services.

Capital Improvements Fund – This fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

Proprietary Funds – The 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.

Enterprise Fund – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City's major enterprise fund is the Sewer Treatment Fund. This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Internal Service Funds – Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City maintains two separate internal service funds to account for its worker's compensation self-insurance activity and medical self-insurance activity.

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

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the 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. Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Note 2: Summary of Significant Accounting Policies (continued)

C. Measurement Focus (continued)

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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use 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 Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the 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. Available period for the City is 60 days after year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned.

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 7).

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 a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, licenses and permits, interest, and grants.

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 such amounts have not yet been earned.

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements that report financial position may include a section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources for pension and OPEB (other postemployment benefits) plans reported in the Statements of Net Position and the amount in the proprietary funds is also reported in the fund financial statements.

For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, unavailable revenue, amounts for pension and OPEB plans and leases. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2022, but which were levied to finance fiscal year 2023 operations. These amounts along with deferred inflows related to leases have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Unavailable revenue is reported only on the governmental funds Balance Sheet, and represents receivables, which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, charges for services and intergovernmental revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position and in the proprietary funds on the Statement of Fund Net Position. Deferred inflows of resources related to leases are explained in newly adopted accounting pronouncement in Note 3.

The deferred outflows and inflows of resources related to pension and OPEB plans are explained in Note 13 and Note 14.

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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.

E. Budgetary Process

An annual appropriated budget is legally required to be prepared for all funds of the City other than agency funds. City Council passes appropriations at the fund level. Line item appropriations may be transferred between the accounts with the approval of the Mayor, Finance Director, and respective department head. City Council must approve any revisions in the budget that alter appropriations at the function and object level.

The following are the procedures used by the City in establishing the budgetary data reported in the basic financial statements:

Tax Budget

A tax budget of estimated revenues and expenditures for all funds is submitted to the County Fiscal Officer, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenues of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for annual appropriation measures.

On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments are made during the year if the Finance Director determines that revenues to be collected will be greater than or less than the prior estimates and the budget commission find the revised estimates to be reasonable. The amounts reported in the budgetary statements as original represent the amounts in the first official certificate of estimated resources issued during 2022. The amounts reported in the budgetary statements as final reflect the amounts in the final amended official certificate of estimated resources issued during 2022.

Note 2: Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

Annual Estimate

The Mayor, with the assistance of the Finance Director, is required by Charter to submit to City Council, on or before December 1 of each fiscal year, an estimate of the revenues and expenditures of each fund of the City for the next succeeding fiscal year. The annual estimate serves as the basis for appropriations (the appropriated budget) in each fund.

Appropriations

An appropriation ordinance (the appropriated budget) to control the level of expenditures for all funds must be legally enacted on or about January 1. Appropriations may not exceed estimated resources as established in the official amended certificate of estimated resources. Supplemental appropriations may be adopted by City Council action. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriated budget for each fund that covered the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried over for the subsequent year's expenditures and is re-appropriated.

Budgeted Level of Expenditure

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from City Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by City Council. For all funds, City Council appropriations are made to personal services, travel and education, contractual services, supplies and materials, capital outlay, debt principal and interest payments, and transfer accounts for each department. The appropriations set by City Council must remain fixed unless amended by City Council ordinance. More detailed appropriation allocations may be made by the Finance Director as long as the allocations are within City Council's appropriated amount.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations.

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents

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

During 2022, the City invested in STAR Ohio.

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

STAR Ohio, is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but the City has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants.* The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the year ended 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $100 million. STAR Ohio reserves the right to limit the transaction to $250 million, requiring the excess amount to be transacted the following business day(s), but only to the $250 million limit. All accounts of the participant will be combined for these purposes.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2022 amounted to $9,048, which includes $2,116 assigned from other City funds. All investment earnings accrue to the general fund except those funds specifically required to earn interest by Ohio law.

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

G. Inventory

Inventories for all governmental funds are valued using the first-in/first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund.

Inventories of proprietary funds are valued using the first-in/first-out method and expensed when used rather than when purchased.

Note 2: Summary of Significant Accounting Policies (continued)

H. Prepaid Items

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

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. The City's capitalization threshold is $5,000. The City's infrastructure consists of streets and sanitary and storm sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

In the case of the initial capitalization of general infrastructure the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets by estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost.

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
Buildings and improvements	6 to 50 years
Furniture, fixtures, and equipment	3 to 40 years
Vehicles	5 to 15 years
Infrastructure:	
Streets	15 to 20 years
Sewer lines	50 to 75 years

Note 2: Summary of Significant Accounting Policies (continued)

J. Interfund Balances

On the fund financial statements, receivables and payables resulting from transactions between funds for services provided or goods received and from short-term interfund loans are classified as "interfund receivables/payables." Interfund balance amounts are eliminated in the Statement of Net Position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

K. 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.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year-end taking into consideration any limits specified in the City's termination policy. Additionally, certain salary related payments associated with the payment of compensated absences have been accrued.

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

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and net pension and OPEB liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, financed purchase and long-term loans are recognized as a liability on the fund financial statements when due.

M. 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.

Note 2: Summary of Significant Accounting Policies (continued)

M. Fund Balance (continued)

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

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

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

Assigned: Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance. The City's delegated official is the Finance Director. City Council assigned fund balance to cover gap between estimated revenue and appropriations in 2023's appropriated budget.

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

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

Note 2: Summary of Significant Accounting Policies (continued)

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide Statement of Net Position reports $3,243,964 of restricted net position, none of which is restricted by enabling legislation.

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are reimbursements for the sewer treatment plant. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

P. 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. Interfund payments for services provided and used are not eliminated.

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

Q. Pensions/Other Postemployment Benefits (OPEB)

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

Note 2: Summary of Significant Accounting Policies (continued)

R. 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.

Note 3: Change in Accounting Principles

Newly Adopted Accounting Pronouncements

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

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

These changes were incorporated in the City's 2022 financial statements. As a result of the implementation of this standard, effective January 1, 2022, the City recorded a lease receivable of $1,250,967 with offsetting deferred inflows of $1,250,967 in the capital improvements fund and governmental activities.

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

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

Note 3: Change in Accounting Principles (continued)

Newly Issued Accounting Pronouncements, Not Yet Adopted

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

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

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

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

Note 4: Fund Balances

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

Fund Balances	General	Fire Levy	Issue 24 Levy	Capital Improvements	Nonmajor Governmental	Total Governmental
Nonspendable:						
Prepaids	$ 132,180	$ 38,937	$ 49,833	$ -	$ 6,441	$ 227,391
Inventory	3,572	-	-	-	93,362	96,934
Unclaimed monies	5,836	-	-	-	-	5,836
Total nonspendable	141,588	38,937	49,833	-	99,803	330,161
Restricted:						
Fire Levy	-	530,892	-	-	-	530,892
Issue 24 Levy	-	-	706,381	-	-	706,381
Debt service payments	-	-	-	-	613,172	613,172
State highway	-	-	-	-	75,231	75,231
Street construction	-	-	-	-	635,678	635,678
Police and fire pensions	-	-	-	-	706,987	706,987
Law enforcement trust	-	-	-	-	12,500	12,500
DUI enforcement	-	-	-	-	20,772	20,772
JAG Byrne grant	-	-	-	-	948	948
Mayor’s court computer	-	-	-	-	15,511	15,511
Local law enforcement block grant	-	-	-	-	829	829
Juvenile community diversion	-	-	-	-	43	43
Sobriety checkpoint	-	-	-	-	68	68
Garden club	-	-	-	-	648	648
Capital improvements	-	-	-	530,103	-	530,103
Tax incentive review	18,656	-	-	-	-	18,656
Other purposes	299,443	-	-	-	9,306	308,749
Total restricted	318,099	530,892	706,381	530,103	2,091,693	4,177,168

(continued)

Note 4: Fund Balances (continued)

Fund Balances		General		Fire Levy		Issue 24 Levy		Capital Improvements		Nonmajor Governmental		Total Governmental
Committed:												
Capital improvements		-		-		-		714,084		-		714,084
Safety department equipment		-		-		-		-		3,679		3,679
Ambulance billing		-		-		-		-		524,878		524,878
Cable TV program		-		-		-		-		200,739		200,739
Termination benefits		479,948		-		-		-		-		479,948
Total committed		479,948		-		-		714,084		729,296		1,923,328
Assigned:												
Year 2023 appropriations		2,796,109		-		-		-		-		2,796,109
Purchases on order		288,659		-		-		-		-		288,659
Total assigned		3,084,768		-		-		-		-		3,084,768
Unassigned		11,576,244		-		-		-		-		11,576,244
Total fund balance	$	15,600,647	$	569,829	$	756,214	$	1,244,187	$	2,920,792	$	21,091,669

Note 5: 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, is based upon accounting for transactions on a basis of cash receipts and disbursements. The Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute.

The major differences between the budgetary basis and the GAAP basis are identified as follows:

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

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

(c) Encumbrances are treated as expenditures (budgetary) rather than assigned fund balance (GAAP).

(d) Budgetary revenues and expenditures of certain funds are classified to general fund for GAAP Reporting.

Note 5: Budgetary Basis of Accounting (continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund, fire levy fund, and Issue 24 levy fund.

	Net Change in Fund Balances		
	General	Fire Levy	Issue 24 Levy
GAAP basis	$ 3,734,089	$ 47,923	$ 149,978
Increase (decrease) due to:			
Revenue accruals	156,263	1,059	-
Expenditure accruals	(405,047)	(1,117)	(8,455)
Encumbrances	(407,414)	(29,108)	(84,587)
To reclassify the net change in fund balance for funds combined with the general fund for GASB 54	(23,495)	-	-
Budget basis	$ 3,054,396	$ 18,757	$ 56,936

Note 6: Deposits and Investments

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

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

Inactive deposits are monies 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 deposit 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 may be deposited or invested in the following securities:

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

Note 6: Deposits and Investments (continued)

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 2% 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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

Note 6: Deposits and Investments (continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it.

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

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

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

At year-end, the bank balance of the City's deposits was $31,076,725. At year-end $10,521,034 of the City's total bank balance was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the City's financial institution participates in the OPCS and was approved by the Ohio Treasurer of State for a reduced collateral floor of 50% resulting in the uninsured and uncollateralized balance. The City also has $250 in petty cash on hand.

B. Investments

As of December 31, 2022, the City had the following investments:

	Fair Value	Maturities (in years) Less than 1	Maturities (in years) More than 1
STAR Ohio	$ 1,117,974	$ 1,117,974	$ -

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

STAR Ohio is measured at amortized cost, Level 1. At December 31, 2022, the average days to maturity was 31.9.

Note 6: Deposits and Investments (continued)

B. Investments (continued)

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

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

Credit Risk is addressed by the City's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that the portfolio be diversified both by types of investment and issuer. The City's investment in Star Ohio carries an "AAAm" money market rating by Standard & Poor's.

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

Investment Issuer	Percentage of Investments
STAR Ohio	100 %

Note 7: Receivables

Receivables at December 31, 2022 consisted primarily of taxes, accounts, special assessments, leases, and intergovernmental receivables arising from shared revenues. The sewer treatment fund accounts receivable is net of a $101,383 allowance for doubtful accounts. All remaining receivables are considered fully collectible.

A. Property Taxes

Property taxes include amounts levied against all real property and public utility tangible personal property located in the City. Property tax revenue received during 2022 for real and public utility property taxes represents collections for 2021 taxes. Property tax payments received during 2022 for tangible personal property, except for public utility property, are for prior year unpaid tangible personal property taxes.

Note 7: Receivables (continued)

A. Property Taxes (continued)

Real property taxes (other than public utility property) are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by the Cuyahoga County Fiscal Officer at 35% of the appraised market value, and reappraisal of all property is required every six years with a triennial update.

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. Taxes not paid become delinquent after December 31 of the year in which payable. Under certain circumstances, State statute permits earlier or 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% of true value. Public utility real and tangible personal property taxes collected during the calendar year were levied in the preceding calendar year based on assessed values as of January 1 of that preceding year, the lien date.

Tangible personal property used in business (except for public utilities) was phased out – the assessment percentage for all property including inventory is zero. Amounts for prior year unpaid tangible personal property taxes may still be collected. Under Ohio law, personal property taxes do not attach as a lien on the personal property.

While property tax rates are levied by the City, the Cuyahoga County Fiscal Officer is statutorily responsible for administering and collecting real property taxes on the behalf of all taxing authorities in the County, including the City. The County periodically remits to the City its portion of taxes collected.

The assessed values per category applicable to the 2022 tax collections are as follows:

Assessed Value	
Category	
Real estate	$ 266,091,930
Public utility	9,297,300
Total	$ 275,389,230

The tax rate levied to finance the City’s services for the year ended December 31, 2022 was $21.9 per $1,000 of real estate and personal property valuation.

Note 7: Receivables (continued)

B. Income Tax

The City levies and collects an income tax of 2% on all income earned within the City as well as on income of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least monthly.

Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. The City, by ordinance, allocates income tax revenues and expenditures for collecting, administering, and enforcing the tax to the general fund.

C. Intergovernmental

A summary of intergovernmental receivables is as follows:

	Amounts
Governmental activities:	
Local governmental	$ 202,602
Homestead and rollback	224,198
Gasoline tax	286,526
Auto registration	96,080
Permissive auto tax	6,731
Payments in lieu of taxes	481,926
Miscellaneous	34,881
Total governmental activities	1,332,944
Business type activities:	
Miscellaneous	1,722
Total intergovernmental receivable	$ 1,334,666

Note 7: Receivables (continued)

D. Lease Receivable

The City has entered into a lease agreement for towers with Crown Castle. The City recognized lease revenue of $40,031 and interest revenue of $41,217 in 2022 related to lease payments received. A summary of future lease revenues is as follows:

Governmental activities:

	Principal	Interest	Total
2023	$ 3,744	$ 44,990	$ 48,734
2024	5,402	44,806	50,208
2025	5,599	44,609	50,208
2026	5,804	44,404	50,208
2027	6,017	44,191	50,208
2028-2032	73,247	214,193	287,440
2033-2037	134,814	195,743	330,557
2038-2042	215,577	164,563	380,140
2043-2047	320,370	116,791	437,161
2048-2052	455,150	47,585	502,735
2053	25,096	151	25,247
Total	$ 1,250,820	$ 962,026	$ 2,212,846

Note 8: Interfund Transactions

Interfund transfers for the year ended December 31, 2022, consisted of the following:

	Transfer from		
Transfer to	General Fund	Nonmajor Governmental Funds	Total
Fire Levy Fund	$ 2,000,000	$ -	$ 2,000,000
Issue 24 Levy Fund	1,675,000	-	1,675,000
Capital Improvements Fund	625,500	208,000	833,500
Nonmajor Governmental Funds	1,445,000	-	1,445,000
Total	$ 5,745,500	$ 208,000	$ 5,953,500

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The City had no transfers that were inconsistent with the purpose of the fund making the transfer. The nonmajor governmental fund transfer to the capital improvements fund was to fund debt payments.

Note 9: Capital Assets

A summary of changes in capital assets during 2022 follows:

	Balance 12/31/21	Additions	Disposals	Balance 12/31/22
Governmental activities:				
Non-depreciable assets:				
Land	$ 2,231,201	$ -	$ -	$ 2,231,201
Construction in progress	513,454	988,676	(189,253)	1,312,877
Total non-depreciable assets	2,744,655	988,676	(189,253)	3,544,078
Depreciable assets:				
Buildings and improvements	21,538,772	53,721	-	21,592,493
Furniture, fixtures and equipment	6,403,735	553,509	-	6,957,244
Vehicles	3,589,892	370,873	(233,278)	3,727,487
Infrastructure:				
Streets	16,240,092	-	-	16,240,092
Total depreciable assets	47,772,491	978,103	(233,278)	48,517,316
Less accumulated depreciation:				
Buildings and improvements	(15,405,998)	(500,895)	-	(15,906,893)
Furniture, fixtures and equipment	(4,666,643)	(334,179)	-	(5,000,822)
Vehicles	(2,559,760)	(228,256)	219,944	(2,568,072)
Infrastructure:				
Streets	(13,623,682)	(352,610)	-	(13,976,292)
Total accumulated depreciation	(36,256,083)	(1,415,940)	219,944	(37,452,079)
Total depreciable assets, net	11,516,408	(437,837)	(13,334)	11,065,237
Governmental activities capital assets, net	$ 14,261,063	$ 550,839	$ (202,587)	$ 14,609,315

Depreciation expense was charged to governmental activities as follows:

General government	$ 112,356
Security of persons and property	499,676
Public health and welfare	2,925
Leisure time activities	347,079
Basic utility services	942
Transportation	452,962
Total	$ 1,415,940

Note 9: Capital Assets (continued)

	Balance 12/31/21	Additions	Disposals	Balance 12/31/22
Business-type activities:				
Non-depreciable assets:				
Land	$ 99,200	$ -	$ -	$ 99,200
Construction in progress	295,438	-	-	295,438
Total non-depreciable assets	394,638	-	-	394,638
Depreciable assets:				
Buildings and improvements	5,014,640	-	-	5,014,640
Furniture, fixtures and equipment	7,952,932	-	-	7,952,932
Vehicles	676,407	-	-	676,407
Infrastructure:				
Sewers	7,142,403	-	-	7,142,403
Total depreciable assets	20,786,382	-	-	20,786,382
Less accumulated depreciation:				
Buildings and improvements	(4,157,361)	(150,407)	-	(4,307,768)
Furniture, fixtures and equipment	(6,985,698)	(56,214)	-	(7,041,912)
Vehicles	(234,050)	(59,413)	-	(293,463)
Infrastructure:				
Sewers	(3,232,459)	(138,667)	-	(3,371,126)
Total accumulated depreciation	(14,609,568)	(404,701)	-	(15,014,269)
Total depreciable assets, net	6,176,814	(404,701)	-	5,772,113
Business-type capital assets, net	$ 6,571,452	$ (404,701)	$ -	$ 6,166,751

Note 10: Long-Term Debt

A. Original Issues

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

Debt Issue	Original Issue Date	Interest Rate	Original Issue Amount
OPWC Loan:			
Sunset Drive Improvements	2009	0.00%	$ 281,155
Columbia Drive Improvements	2012	0.00%	538,699
Perkins Road Forcemain	2017	0.00%	272,491
Libby Road (SR 17) Reconstruction	2021	0.00%	*

* Loan has not been finalized.

Note 10: Long-Term Debt (continued)

B. Long-Term Obligations

Long-term obligations payable activity for the year ended December 31, 2022 was as follows:

Governmental activities:	Balance 12/31/21	Additions	Deletions	Balance 12/31/22	Due Within One Year
Ohio Public Works Commission loans*:					
Sunset Drive improvements, due through 2030	$ 126,126	$ -	$ (7,420)	$ 118,706	$ 14,838
Columbia Drive improvements, due through 2034	323,219	-	(13,467)	309,752	26,934
Libby Road (SR 17) Reconstruction	-	143,000	-	143,000	-
Total Ohio Public Works Commission loans	449,345	143,000	(20,887)	571,458	41,772
Other long-term obligations:					
Financed purchase*	1,714	-	(1,005)	709	709
Accrued compensated absences	2,049,990	777,103	(913,228)	1,913,865	760,237
Asset retirement obligations	36,644	2,880	-	39,524	-
Net pension liability	16,163,711	-	(2,487,012)	13,676,699	-
Net OPEB liability	2,007,012	64,787	-	2,071,799	-
Total other long-term obligations	20,259,071	844,770	(3,401,245)	17,702,596	760,946
Total governmental activities long-term liabilities	$ 20,708,416	$ 987,770	$ (3,422,132)	$ 18,274,054	$ 802,718

* Long-term obligation is a direct placement.

Note 10: Long-Term Debt (continued)

B. Long-Term Obligations (continued)

Business-type activities:		Balance 12/31/21		Additions		Deletions		Balance 12/31/22		Due Within One Year
Ohio Public Works Commission loan*:										
Perkins Road Forcemain,										
due through 2048	$	240,701	$	-	$	(4,542)	$	236,159	$	9,083
Other long-term obligations:										
Accrued compensated absences		327,615		147,467		(121,962)		353,120		143,329
Net pension liability		1,272,167		-		(541,048)		731,119		-
Total business-type activities long-term liabilities	$	1,840,483	$	147,467	$	(667,552)	$	1,320,398	$	152,412

* Long-term obligation is a direct placement.

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

The governmental activities OPWC loans will be paid from the capital improvement fund and the business-type OPWC loans will be paid from the sewer fund. The City pays obligations related to employee compensation and pension/OPEB amounts from the fund benefitting from their service.

The 2009 Sunset Drive Improvements OPWC loan was for $281,155 and will be repaid in semiannual installments over 20 years. This loan was used to for road improvements on Sunset Drive. The 2012 Columbia Drive Improvements OPWC loan was for $538,699 and will be repaid in semiannual installments over 20 years. This loan was used to improve storm waterlines along Columbia Drive. The 2017 Perkins Road Forcemain OPWC loan was for $272,491 and will be repaid in semiannual installments over 30 years. This loan was used to replace sanitary forcemains on Perkins Road. The Libby Road (SR 17) Reconstruction loan has not been finalized and is excluded in the future annual debt service table.

Note 10: Long-Term Debt (continued)

B. Long-Term Obligations (continued)

Principal requirements to retire the long-term debt obligations outstanding at December 31, 2022 are as follows:

	OPWC Loans*	
Year	Governmental Principal	Business-Type Principal
2023	$ 41,772	$ 9,083
2024	41,774	9,083
2025	41,773	9,083
2026	41,774	9,083
2027	41,773	9,083
2028-2032	179,189	45,415
2033-2037	40,403	45,415
2038-2042	-	45,415
2043-2047	-	45,415
2048	-	9,084
Totals	$ 428,458	$ 236,159

* Long-term obligation is a direct placement.

The legal debt margin of the City as of December 31, 2022 was $24,058,322 with an unvoted debt margin of $15,159,580.

Note 11: Financed purchase

The City entered into agreements for copiers. The City's obligations are recorded on the government-wide statements. Payments for governmental fund-type obligations has been reclassified and are reflected as debt service expenses in the fund financial statements. Payments will be made from the issue 24 levy fund. The lease payments will be paid with current available resources that have accumulated in the fund.

Amortization of financed purchased items are included in depreciation expense. Principal and interest requirements to retire the obligations outstanding at December 31, 2022, are as follows:

	Governmental Activities	
Year	Principal	Interest
2023	$ 709	$ 18

Note 12: Compensated Absences

The City accrues vacation and compensatory time benefits as earned by its employees if the leave is attributable to past service and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Likewise, the City accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the pay rates in effect at December 31, 2022. Additionally, certain salary related payments associated with the payment of compensated absences have been accrued.

Vacation leave is earned at rates that vary depending upon length of service and standard workweek. The City's current vacation policy specifies that accumulated vacation leave must be used prior to December 31 of the year following the year in which it is earned unless approved by City Council.

Each department earns sick leave at a negotiated rate per month. Each employee with the City is paid a portion of the employee's earned unused sick leave, with a maximum number of hours per department specifications, upon retirement from the City with 10 years of service. The Police and Fire Departments are able to accumulate compensatory time in lieu of being paid overtime, to be taken anytime or paid at the time of separation.

Note 13: Defined Benefit Pension Plans

A. Net Pension/OPEB Liability (Asset)

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

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

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/OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

Note 13: Defined Benefit Pension Plans (continued)

A. Net Pension/OPEB Liability (Asset) (continued)

GASB 68 and 75 assumes the liability (asset) is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for OPEB benefits including primarily health care. In most cases, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium.

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

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability (asset) on the accrual basis of accounting. Funded benefits are presented as an other net pension/OPEB asset. Any liability for the contractually-required contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

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

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

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

Note 13: Defined Benefit Pension Plans (continued)

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Final average salary (FAS) represents the average of the three highest years of earnings over the member's career for Groups A and B. Group C is based on the average of the five highest years of earning over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

The traditional plan is a defined benefit plan in which a member's retirement benefits are calculated on a formula that considers years of service and FAS. Pension benefits are funded by both member and employer contributions and investment earnings on those contributions.

The following table provides age and service requirements for retirement and the retirement formula applied to the FAS for the three member groups under the traditional plans (see OPERS ACFR referenced above for additional information):

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

When a benefit recipient retiring under the traditional pension plan has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided on the member's base benefit. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

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

Note 13: Defined Benefit Pension Plans (continued)

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

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

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

Members retiring under the combined plan receive a 3% COLA on the defined benefit portion of their benefit. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

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

The subsequent table provides age and service requirements for retirement and the retirement formula applied to the FAS for the three member groups under the combined plan (see OPERS ACFR referenced above for additional information):

Group A	**Group B**	**Group C**
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local Age and Service Requirements:	**State and Local Age and Service Requirements:**	**State and Local Age and Service Requirements:**
Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	**Formula:**	**Formula:**
1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	1.0% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Note 13: Defined Benefit Pension Plans (continued)

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

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

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

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

The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 0% for 2022 for the traditional plan. For the combined plan, the portion of the employer contributions allocated to health care was 0% from January 1, 2022 to June 30, 2022 and 2% from July 1, 2022 to December 31, 2022. The portion of the employer contributions allocated to health care for members in the member-directed plan was 4% for 2022. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. In 2022, the City's contractually required contribution, net of postemployment health care benefits, for the traditional plan was $619,779 and $6,685 for the combined plan. Of this amount, $59,202 is reported as accrued wages and benefits at December 31, 2022.

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

Plan Description - the City's full-time police and fire 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.

Note 13: Defined Benefit Pension Plans (continued)

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

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

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries under optional plans, 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% of the member's base pension benefit.

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

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

Note 13: Defined Benefit Pension Plans (continued)

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 19.5% of covered payroll for police employer units and 24.0% for fire employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 12.25% of covered payroll for police and fire. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 0.5% for 2022 for police and fire employer units. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

In 2022, the City's contractually required contribution, net of postemployment health care benefits, was $999,661. Of this amount, $104,393 is reported as accrued wages and benefits at December 31, 2022.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2021, and was determined by rolling forward the total pension liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

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

	OPERS Traditional	OPERS Combined	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.030541%	0.012762%	0.189427%	
Proportion of the net pension liability/asset current measurement date	0.029873%	0.011244%	0.189018%	
Change in proportionate share	(0.000668%)	(0.001518%)	(0.000409%)	
Proportionate share of the net pension liability	$ 2,599,072	$ -	$ 11,808,746	$ 14,407,818
Proportionate share of the net pension asset	$ -	$ 44,303	$ -	$ 44,303
(Reduction) of pension expense	$ (580,447)	$ 1,851	$ 378,449	$ (200,147)

The 2022 pension expense for the member-directed defined contribution plan was $1,528. The aggregate pension expense for all pension plans was $(198,619) for 2022.

Note 13: Defined Benefit Pension Plans (continued)

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

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

	OPERS Traditional	OPERS Combined	OP&F	Total
Deferred outflow of resources				
Difference between expected and actual experience	$ 132,497	$ 275	$ 340,495	$ 473,267
Change in assumptions	325,011	2,227	2,158,131	2,485,369
City contributions subsequent to the measurement date	619,779	6,685	999,661	1,626,125
Total deferred outflow of resources	$ 1,077,287	$ 9,187	$ 3,498,287	$ 4,584,761
Deferred inflow of resources				
Difference between expected and actual experience	$ 57,004	$ 4,955	$ 613,893	$ 675,852
Net difference between projected and actual earnings on pension plan investments	3,091,503	9,498	3,096,071	6,197,072
Differences in employer contributions and change in proportionate share	128,226	-	600,380	728,606
Total deferred inflow of resources	$ 3,276,733	$ 14,453	$ 4,310,344	$ 7,601,530

The $1,626,125 reported as deferred outflows of resources related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional	OPERS Combined	OP&F	Total
Fiscal Year Ending December 31:				
2023	$ (514,538)	$ (2,911)	$ (275,914)	$ (793,363)
2024	(1,085,962)	(4,025)	(1,032,482)	(2,122,469)
2025	(726,937)	(2,640)	(445,986)	(1,175,563)
2026	(491,788)	(1,951)	(287,487)	(781,226)
2027	-	(259)	230,151	229,892
2028-2030	-	(165)	-	(165)
	$ (2,819,225)	$ (11,951)	$ (1,811,718)	$ (4,642,894)

Note 13: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS

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

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

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

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

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

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

Note 13: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS (continued)

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

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	24.00%	1.03%
Domestic equities	21.00	3.78
Real estate	11.00	3.66
Private equity	12.00	7.43
International equities	23.00	4.88
Risky parity	5.00	2.92
Other investments	4.00	2.85
Total	100.00%	4.21%

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

Note 13: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS (continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption, 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 or one-percentage-point higher than the current rate:

	1% Decrease (5.9%)	Discount Rate (6.9%)	1% Increase (7.9%)
City's proportionate share of the net pension liability (asset) – Traditional	$ 6,852,567	$ 2,599,072	$ (940,402)
City's proportionate share of the net pension (asset) – Combined	$ (33,057)	$ (44,303)	$ (53,072)

Assumption Changes Since the Prior Measurement Investment rate of return decreased from 7.20% to 6.90%. Wage inflation decreased from 3.25% to 2.75%.

F. Actuarial Assumptions – OP&F

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

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

Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	3.75% - 10.50%
Payroll growth	3.25% per annum, compounded annually, consisting of inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of living adjustments	3.00% simple per year

Note 13: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (continued)

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

Age	Police	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.

Note 13: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (continued)

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

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

Note: Assumptions are geometric.
*Levered 2.5x

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

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

Note 13: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (continued)

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	$ 17,512,205	$ 11,808,746	$ 7,059,172

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

Note 14: Postemployment Benefits

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

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

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

Note 14: Postemployment Benefits (continued)

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

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

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

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

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

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

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

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Note 14: Postemployment Benefits (continued)

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contributions to OPERS health care plans was $1,225 for 2022.

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

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

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

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

Note 14: Postemployment Benefits (continued)

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

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

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5% of covered payroll for police and 24.0% of covered payroll for fire. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police and 24.0% 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% 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 $23,778 for 2022. Of this amount, $2,481 is reported as accrued wages and benefits at December 31, 2022.

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

The net OPEB asset for OPERS as of December 31, 2022 was measured as of December 31, 2021. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020 and rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The City's proportion of the net OPEB asset was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating entities. 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.

Note 14: Postemployment Benefits (continued)

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

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

	OPERS	OP&F	Total
Proportion of the net OPEB liability/asset prior measurement date	0.028939%	0.189427%	
Proportion of the net OPEB liability/asset current measurement date	0.028229%	0.189018%	
Change in proportionate share	(0.000710%)	(0.000409%)	
Proportionate share of the net OPEB liability	$ -	$ 2,071,799	$ 2,071,799
Proportionate share of the net OPEB asset	$ 884,178	$ -	$ 884,178
(Reduction) of OPEB expense	$ (833,007)	$ 129,506	$ (703,501)

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

	OPERS	OP&F	Total
Deferred outflow of resources			
Difference between expected and actual experience	$ -	$ 94,248	$ 94,248
Change in assumptions	-	917,042	917,042
Differences in employer contributions and change in proportionate share	-	18,040	18,040
City contributions subsequent to the measurement date	1,225	23,778	25,003
Total deferred outflow of resources	$ 1,225	$ 1,053,108	$ 1,054,333
Deferred inflow of resources			
Difference between expected and actual experience	$ 134,115	$ 273,817	$ 407,932
Change in assumptions	357,904	240,627	598,531
Net difference between projected and actual earnings on OPEB plan investments	421,513	187,152	608,665
Differences in employer contributions and change in proportionate share	57,550	157,408	214,958
Total deferred inflow of resources	$ 971,082	$ 859,004	$ 1,830,086

Note 14: Postemployment Benefits (continued)

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

The $25,003 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Fiscal Year Ending December 31:			
2023	$ (617,018)	$ 45,352	$ (571,666)
2024	(201,431)	17,567	(183,864)
2025	(92,098)	26,872	(65,226)
2026	(60,535)	3,969	(56,566)
2027	-	36,105	36,105
2028-2029	-	40,461	40,461
	$ (971,082)	$ 170,326	$ (800,756)

D. Actuarial Assumptions – OPERS

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

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

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

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

Note 14: Postemployment Benefits (continued)

D. Actuarial Assumptions – OPERS (continued)

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

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

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

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

Note 14: Postemployment Benefits (continued)

D. Actuarial Assumptions – OPERS (continued)

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

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB asset calculated using the single discount rate, 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 or one-percentage-point higher than the current rate:

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
City's proportionate share of the net OPEB asset	$ 519,978	$ 884,178	$ 1,186,465

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

	1% Decrease	Cost Trend Rate	1% Increase
City's proportionate share of the net OPEB asset	$ 893,730	$ 884,178	$ 872,841

Note 14: Postemployment Benefits (continued)

D. Actuarial Assumptions – OPERS (continued)

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

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

E. Actuarial Assumptions – OP&F

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

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.

Note 14: Postemployment Benefits (continued)

E. Actuarial Assumptions – OP&F (continued)

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

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

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

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

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

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

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

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

Note 14: Postemployment Benefits (continued)

E. Actuarial Assumptions – OP&F (continued)

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

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

Note: Assumptions are geometric.
*Levered 2.5x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate For 2021, the total OPEB liability was calculated using the discount rate of 2.84%. 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%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.05% at December 31, 2021 was blended with the long-term rate of 7.5% for 2021, which resulted in a blended discount rate of 2.84% for 2021. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, and the municipal bond rate was applied to all health care costs after that date.

Note 14: Postemployment Benefits (continued)

E. Actuarial Assumptions – OP&F (continued)

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

	1% Decrease (1.84%)	Discount Rate (2.84%)	1% Increase (3.84%)
City's proportionate share of the net OPEB liability	$ 2,604,297	$ 2,071,799	$ 1,634,084

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 15: Risk Management

A. Property and Liability

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

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

In 2022, the City paid a total of $149,033 in premiums from the general and sewer treatment funds. Financial information can be obtained by contacting the fiscal agent at the City of Highland Heights, 5827 Highland Road, Highland Heights, Ohio, 44143.

Note 15: Risk Management (continued)

B. Workers' Compensation Program

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

C. Health Insurance Benefits

On March 1, 2009, the City began providing health, dental and vision insurance to its employees through a self-insurance plan. The City pays a monthly administrative premium, including a stop-loss fee, for the self-insurance plan. The City contracts with a third party administrator to direct this program. During 2022, self-insurance was in effect for claims up to $100,000 per covered individual. Any claims exceeding this threshold are covered by stop-loss.

The claims liability of $240,563 as estimated by the third party administrator and reported in the hospitalization reserve fund (an internal service fund) at December 31, 2022 is based on the requirements of GASB Statement No. 30 which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount in 2022 and 2021 were as follows:

	2022	2021
Unpaid claims, beginning of year	$ 150,702	$ 157,576
Incurred claims and changes in estimate	1,252,229	1,642,836
Claims payments	(1,643,494)	(1,649,710)
Unpaid claims, end of year	$ 240,563	$ 150,702

Note 16: Contingencies

Grants

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

Litigation

During the normal course of business, the City is subject to occasional legal proceedings, claims, and contract disputes. In the opinion of management, the eventual outcome of any current proceedings and claims against the City will not materially affect its financial condition or operations.

Note 17: Jointly Governed Organizations

A. 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 energy. NOPEC is currently comprised of over 200 communities who have been authorized by ballot to purchase energy on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy 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 from each county then elect one person to serve on the 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 did not contribute to NOPEC during 2022. Financial information can be obtained by contacting NOPEC, 31360 Solon Rd, Suite 33, Solon, Ohio 44139.

B. Chagrin/Southeast Council of Governments

The Chagrin/Southeast Council of Governments (Council) operates the Chagrin/Southeast HazMat Response Team (Team). The Team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. In 2022, the City contributed $3,500 to the organization. The Chagrin/ Southeast Council of Governments financial statements may be obtained by contacting the Finance Director of the Village of Glenwillow, Ohio.

Note 17: Jointly Governed Organizations (continued)

C. Southeast Regional Council of Governments

The City has been a member of a Southeast Regional Council of Governments (SRCG). The SRCG was formed in 2002 to foster cooperation between area municipalities relative to exchanging information, pooling manpower and dealing with reciprocal services, including mutual aid, parallel action, and the exchange of ideas.

1. Southeast Emergency Communication Center

Near the end of 2012, along with the City of Bedford, City of Garfield Heights, and City of Maple Heights, the City of Bedford Heights entered into a cooperative agreement through the SRCG to establish a sub-group of the SRCG for the purpose of constructing and operating a central safety forces dispatch facility to be known as the Southeast Emergency Communication Center (SECC). The joint dispatch center has allowed participating members to maintain state-of-the-art technologies and improve the overall efficiencies for the region's residents in a comparatively higher cost-effective manner. Effective March 1, 2016, the SECC split off from the SRCG and established itself as a council of governments formed under Chapter 167 of the Ohio Revised Code.

The SECC operated from March 1, 2016 and thereon as a separate entity for the continued operation of the central safety forces dispatch center. The previous cooperative agreement and amendments to said agreement regarding the operation of the SECC remained in full force and effect after the separation. Effective August 1, 2017, the City of Bedford withdrew from the SECC. On May 30, 2018 the City of Maple Heights withdrew from the SECC. On May 31, 2018 the City of Garfield Heights withdrew from the SECC. The City of Bedford Height withdrew on June 1, 2018.

As of January 1, 2019, the SECC had no active employees and there was no payroll transactions for the entity. There has been minimal financial transactions during 2022 and the de facto Fiscal Officer continues to maintain records, monthly financial reports and bank reconciliations. The formal dissolution of the SECC is expected to occur in 2023. Financial statements of the SECC may be obtained by contacting the Director of Finance for the City of Bedford Heights, 5661 Perkins Road, Bedford Heights, Ohio 44146.

2. Southeast Area Law Enforcement Group

Also a part of the SRCG, the Southeast Area Law Enforcement Group (SEALE) is comprised of seven municipalities in southeastern Cuyahoga County for the purpose of providing assistance in the form of a SWAT team, Bomb Unit, Investigation Unit, Narcotics Unit, Crisis Negotiation Team, and Communication Unit. In 2022, the City contributed $5,000 to the organization. The SEALE financial statements may be obtained by contacting the Finance Director of the City of Bedford, 165 Center Road, Bedford, Ohio 44146.

Note 17: Jointly Governed Organizations (continued)

D. First Suburbs Consortium of Northeast Ohio Council of Governments

The City is a member of the First Suburbs Consortium of Northeast Ohio Council of Government (FSC). The FSC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. The FSC is currently comprised of 19 communities. The FSC was formed to foster cooperation between municipalities in matters of mutual concern including but not limited to, initiation and support of policies and practices which protect, maintain and redevelop mature communities and other matters which affect health, safety, welfare, education, economic conditions, and regional development.

The FSC is governed by an Assembly made up on one representative from each member community. The representatives then elect the Governing Board made up of a Chair, Vice Chair, and other members elected in annual elections. The Governing Board oversees and manages the FSC. The degree of control exercised by any participating government is limited to its representation in the Assembly and on the Board. The City contributed $3,000 to the FSC during 2022. Financial information can be obtained by contacting the FSC, City of Bedford, 165 Center Road Bedford, Ohio 44146.

E. 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 of 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.

Note 18: Significant Commitments

Significant commitments include the encumbrances outstanding for the general fund, fire levy fund, issue 24 levy fund, capital improvements fund, and other nonmajor governmental funds were as follows:

	Encumbrances
General	$ 288,659
Fire levy	24,091
Issue 24 levy	84,313
Capital improvements	65,997
Nonmajor governmental funds	141,566
Total other significant commitments	$ 604,626

Note 19: Tax Abatement Disclosures

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

Pursuant to Ohio Revised Code 3735, the City established a CRA in 1998, which included all land within the boundaries of the City. The City authorizes incentives through the passage of ordinances. 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, not to exceed 100% of the increase in the assessed value resulting from the improvements. The amount of the abatement is deducted from the recipient's property tax bill.

The Company is also expected to create an agreed-upon amount of new jobs that is negotiable based on the size of the tax abatement. If an entity receiving an abatement fails to fulfill its obligations under the CRA or if the City determines that the certification as to delinquent taxes required by the CRA is fraudulent, the City may terminate or modify the exemptions from taxation granted under the CRA and can require repayment of the amount of taxes that would have been payable had the property not been exempted from taxation.

For the year ended December 31, 2022, the City abated property taxes totaling $9,163 under the CRA program.

On March 21, 2006, the City created the Job Creation Grant Program. The purpose of the program is to provide an economic incentive for businesses to locate or expand within the City. The City did not have any other abated property taxes under this program as of December 31, 2022.

Note 20: Asset Retirement Obligations

Ohio Administrative Code Section 1301-7-9 requires a City classified as an "owner" or "operator," to remove from the ground any underground storage tank (UST) that is not in use for a year or more. A permit must first be obtained for that year it is not being used. Once the UST is removed, the soil in the UST cavity and excavated material must be tested for contamination. This asset retirement obligation (ARO) of $39,524 associated with the City's underground storage tanks was estimated by the City engineer and adjusted for inflation. The remaining useful life of these USTs is 0 years.

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewage 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 wastewater treatment facilities. At this time, due to limitations associated with the existing plant's age and building materials within the plant, the engineer consulted would not have a reasonable estimate to calculate a liability for this year.

Note 21: Short-Term Notes Payables

A summary of the notes transactions for the year ended December 31, 2022, follows:

	Balance 12/31/21	Issued	Retired	Balance 12/31/22
Governmental activities:				
Bond anticipation notes	$ 800,000	$ 600,000	$ (800,000)	$ 600,000
Premium	6,384	-	(6,384)	-
Total	$ 806,384	$ 600,000	$ (806,384)	$ 600,000

The building improvement general obligation bond anticipation notes were issued for the purpose of paying costs of building improvements to city facilities, including replacing roofs on various city buildings. The notes are dated October 6, 2021 and are due on October 6, 2022 at an interest rate of 1.00%. This note was retired during 2022.

The building improvement general obligation bond anticipation notes were issued for the purpose of paying costs of building improvements to city facilities, including replacing roofs on various city buildings. The notes are dated October 5, 2022 and are due on October 5, 2023 at an interest rate of 4.92%. This note was retired early in April of 2023. All of the notes are bond anticipation notes, and are backed by the full faith and credit of the City. The note liability is reflected in the fund which received the proceeds.

Note 22: 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. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The impact on the City's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

City of Bedford Heights, Ohio

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

For the Last Nine Years

	2022 (1)	2021 (1)	2020 (1)	2019 (1)
City's proportion of the net pension liability	0.029873%	0.030541%	0.031639%	0.031482%
City's proportionate share of the net pension liability	$ 2,599,072	$ 4,522,457	$ 6,253,663	$ 8,622,280
City's covered payroll	$ 4,392,460	$ 4,359,614	$ 4,473,571	$ 4,264,005
City's proportionate share of the net pension liability as a percentage of its covered payroll	59.17%	103.74%	139.79%	202.21%
Plan fiduciary net position as a percentage of the total pension liability	92.62%	82.17%	74.70%	

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
City's proportion of the net pension liability	0.031651%	0.030599%	0.032857%	0.040529%	0.040529%
City's proportionate share of the net pension liability	$ 4,965,430	$ 6,948,514	$ 5,691,248	$ 4,888,250	$ 4,777,841
City's covered payroll	$ 4,052,711	$ 4,012,007	$ 3,982,755	$ 4,963,119	$ 5,025,260
City's proportionate share of the net pension liability as a percentage of its covered payroll	122.52%	173.19%	142.90%	98.49%	95.08%
Plan fiduciary net position as a percentage of the total pension liability	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available. Amounts presented for each year were determined as of the City's measurement date which is December 31 of the prior year.

City of Bedford Heights, Ohio

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

For the Last Nine Years

	2022 (1)	2021 (1)	2020 (1)	2019 (1)
City's proportion of the net pension asset	0.011244%	0.012762%	0.017256%	0.030144%
City's proportionate share of the net pension asset	$ 44,303	$ 36,839	$ 35,983	$ 33,709
City's covered payroll	$ 53,514	$ 57,221	$ 77,393	$ 129,266
City's proportionate share of the net pension asset as a percentage of its covered payroll	82.79%	64.38%	46.49%	26.08%
Plan fiduciary net position as a percentage of the total pension liability	169.88%	157.67%	145.28%	126.64%

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
City's proportion of the net pension asset	0.031597%	0.029607%	0.037060%	0.046508%	0.046508%
City's proportionate share of the net pension asset	$ 43,015	$ 16,479	$ 18,034	$ 17,907	$ 4,880
City's covered payroll	$ 125,730	$ 116,050	$ 132,071	$ 164,580	$ 166,641
City's proportionate share of the net pension asset as a percentage of its covered payroll	34.21%	14.20%	13.65%	10.88%	2.93%
Plan fiduciary net position as a percentage of the total pension liability	137.28%	116.55%	116.90%	114.83%	104.56%

(1) Information prior to 2014 is not available. Amounts presented for each year were determined as of the City's measurement date which is December 31 of the prior year.

City of Bedford Heights, Ohio

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

For the Last Nine Years

	2022 (1)	2021 (1)	2020 (1)	2019 (1)
City's proportion of the net pension liability	0.189018%	0.189427%	0.193477%	0.203641%
City's proportionate share of the net pension liability	$ 11,808,746	$ 12,913,421	$ 13,033,631	$ 16,622,487
City's covered payroll	$ 4,755,791	$ 4,576,733	$ 4,617,437	$ 4,633,979
City's proportionate share of the net pension liability as a percentage of its covered payroll	248.30%	282.15%	282.27%	358.71%
Plan fiduciary net position as a percentage of the total pension liability	75.03%	70.65%	69.89%	63.07%

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
City's proportion of the net pension liability	0.207595%	0.206499%	0.224923%	0.226690%	0.226690%
City's proportionate share of the net pension liability	$ 12,641,985	$ 13,079,438	$ 14,469,453	$ 11,743,487	$ 11,040,514
City's covered payroll	$ 4,069,636	$ 4,450,366	$ 4,541,021	$ 4,526,411	$ 4,410,703
City's proportionate share of the net pension liability as a percentage of its covered payroll	313.08%	293.90%	318.64%	259.44%	250.31%
Plan fiduciary net position as a percentage of the total pension liability	70.91%	68.36%	66.77%	71.71%	73.00%

(1) Information prior to 2014 is not available. Amounts presented for each year were determined as of the City's measurement date which is December 31 of the prior year.

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

City of Bedford Heights, Ohio

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

For the Last Ten Years

	2022	2021	2020	2019	2018
Contractually required contribution	$ 619,779	$ 614,944	$ 610,346	$ 626,300	$ 596,961
Contributions in relation to the contractually required contribution	(619,779)	(614,944)	(610,346)	(626,300)	(596,961)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 4,426,991	$ 4,392,460	$ 4,359,614	$ 4,473,571	$ 4,264,005
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%

	2017	2016	2015	2014	2013
Contractually required contribution	$ 526,852	$ 481,441	$ 477,932	$ 595,574	$ 653,284
Contributions in relation to the contractually required contribution	(526,852)	(481,441)	(477,932)	(595,574)	(653,284)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 4,052,711	$ 4,012,007	$ 3,982,755	$ 4,963,119	$ 5,025,260
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%	13.00%

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

City of Bedford Heights, Ohio

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

For the Last Ten Years

	2022	2021	2020	2019	2018
Contractually required contribution	$ 6,685	$ 7,492	$ 8,011	$ 10,834	$ 18,097
Contributions in relation to the contractually required contribution	(6,685)	(7,492)	(8,011)	(10,834)	(18,097)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 52,136	$ 53,514	$ 57,221	$ 77,393	$ 129,266
Contributions as a percentage of covered payroll	12.82%	14.00%	14.00%	14.00%	14.00%

	2017	2016	2015	2014	2013
Contractually required contribution	$ 16,345	$ 13,926	$ 15,849	$ 19,750	$ 21,663
Contributions in relation to the contractually required contribution	(16,345)	(13,926)	(15,849)	(19,750)	(21,663)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 125,730	$ 116,050	$ 132,071	$ 164,580	$ 166,641
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%	13.00%

City of Bedford Heights, Ohio

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

For the Last Ten Years

	2022	2021	2020	2019	2018
Contractually required contribution	$ 999,661	$ 1,002,099	$ 966,098	$ 975,014	$ 977,475
Contributions in relation to the contractually required contribution	(999,661)	(1,002,099)	(966,098)	(975,014)	(977,475)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 4,755,548	$ 4,755,791	$ 4,576,733	$ 4,617,437	$ 4,633,979
Contributions as a percentage of covered payroll	21.02%	21.07%	21.11%	21.12%	21.09%

	2017	2016	2015	2014	2013
Contractually required contribution	$ 860,852	$ 944,338	$ 962,413	$ 959,297	$ 799,621
Contributions in relation to the contractually required contribution	(860,852)	(944,338)	(962,413)	(959,297)	(799,621)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 4,069,636	$ 4,450,366	$ 4,541,021	$ 4,526,411	$ 4,410,703
Contributions as a percentage of covered payroll	21.15%	21.22%	21.19%	21.19%	18.13%

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

City of Bedford Heights, Ohio

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

For the Last Six Years

	2022 (1)
City's proportion of the net OPEB asset/liability	0.028229%
City's proportionate share of the net OPEB (asset)/liability	$ (884,178)
City's covered payroll	$ 4,459,350
City's proportionate share of the net OPEB (asset)/liability as a percentage of its covered payroll	-19.83%
Plan fiduciary net position as a percentage of the total OPEB liability	128.23%

	2021 (1)	2020 (1)	2019 (1)	2018 (1)	2017 (1)
City's proportion of the net OPEB asset/liability	0.028939%	0.030162%	0.030332%	0.030550%	0.029579%
City's proportionate share of the net OPEB (asset)/liability	$ (515,571)	$ 4,166,155	$ 3,954,576	$ 3,317,506	$ 2,987,552
City's covered payroll	$ 4,435,914	$ 4,399,636	$ 4,411,800	$ 4,191,014	$ 4,144,636
City's proportionate share of the net OPEB (asset)/liability as a percentage of its covered payroll	-11.62%	94.69%	89.64%	79.16%	72.08%
Plan fiduciary net position as a percentage of the total OPEB liability	115.57%	47.80%	46.33%	54.14%	n/a

(1) Information prior to 2017 is not available. Amounts presented for each year were determined as of the City’s measurement date which is December 31 of the prior year.

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

City of Bedford Heights, Ohio

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

For the Last Six Years

	2022 (1)
City's proportion of the net OPEB liability	0.189018%
City's proportionate share of the net OPEB liability	$ 2,071,799
City's covered payroll	$ 4,755,791
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	43.56%
Plan fiduciary net position as a percentage of the total OPEB liability	46.90%

	2021 (1)	2020 (1)	2019 (1)	2018 (1)	2017 (1)
City's proportion of the net OPEB liability	0.189427%	0.193477%	0.203641%	0.207595%	0.206499%
City's proportionate share of the net OPEB liability	$ 2,007,012	$ 1,911,112	$ 1,854,463	$ 11,762,042	$ 9,802,043
City's covered payroll	$ 4,576,733	$ 4,617,437	$ 4,633,979	$ 4,069,636	$ 4,450,366
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	43.85%	41.39%	40.02%	289.02%	220.25%
Plan fiduciary net position as a percentage of the total OPEB liability	45.40%	47.10%	46.57%	14.13%	n/a

(1) Information prior to 2017 is not available. Amounts presented for each year were determined as of the City's measurement date which is December 31 of the prior year.

City of Bedford Heights, Ohio

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

For the Last Seven Years

	2022 (1)	2021 (1)
Contractually required contribution	$ 1,225	$ 535
Contributions in relation to the contractually required contribution	(1,225)	(535)
Contribution deficiency (excess)	$ -	$ -
City covered payroll	$ 4,494,407	$ 4,459,350
Contributions as a percentage of covered payroll	0.03%	0.01%

	2020 (1)	2019 (1)	2018 (1)	2017 (1)	2016 (1)
Contractually required contribution	$ 763	$ 1,154	$ 739	$ 41,910	$ 82,893
Contributions in relation to the contractually required contribution	(763)	(1,154)	(739)	(41,910)	(82,893)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 4,435,914	$ 4,399,636	$ 4,411,800	$ 4,191,014	$ 4,144,636
Contributions as a percentage of covered payroll	0.02%	0.03%	0.02%	1.00%	2.00%

(1) Information prior to 2016 is not available.

City of Bedford Heights, Ohio

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

Last Ten Years

	2022	2021	2020	2019	2018
Contractually required contribution	$ 23,778	$ 23,779	$ 22,883	$ 23,088	$ 23,170
Contributions in relation to the contractually required contribution	(23,778)	(23,779)	(22,883)	(23,088)	(23,170)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 4,755,548	$ 4,755,791	$ 4,576,733	$ 4,617,437	$ 4,633,979
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%	0.50%

	2017	2016	2015	2014	2013
Contractually required contribution	$ 20,349	$ 22,252	$ 22,705	$ 22,632	$ 159,667
Contributions in relation to the contractually required contribution	(20,349)	(22,252)	(22,705)	(22,632)	(159,667)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 4,069,636	$ 4,450,366	$ 4,541,021	$ 4,526,411	$ 4,410,703
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%	3.62%

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

City of Bedford Heights, Ohio

Notes to the Required Supplementary Information

For the Year ended December 31, 2022

Note 1: Net Pension Liability/Asset

Changes in Assumptions – OPERS

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

Key Methods and Assumptions in Valuing Total Pension Liability – 2022

	OPERS Traditional plan	OPERS Combined plan
Experience Study	5-year period ended December 31, 2020	5-year period ended December 31, 2020
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	6.90%	6.90%
Wage Inflation	2.75%	2.75%
Projected Salary Increases, including 2.75% inflation	2.75 to 10.75%	2.75 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3.00% Simple	3.00% Simple
Post-Jan 7, 2013 Retirees	3.00% Simple through 2022 then 2.05% Simple	3.00% Simple though 2022 then 2.05% Simple

Key Methods and Assumptions in Valuing Total Pension Liability – 2021

	OPERS Traditional plan	OPERS Combined plan
Experience Study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.20%	7.20%
Wage Inflation	3.25%	3.25%
Projected Salary Increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3.00% Simple	3.00% Simple
Post-Jan 7, 2013 Retirees	0.50% Simple through 2021 then 2.15% Simple	0.50% Simple though 2021 then 2.15% Simple

Note 1: Net Pension Liability/Asset (continued)

Changes in Assumptions – OPERS (continued)

Key Methods and Assumptions in Valuing Total Pension Liability – 2020

	OPERS Traditional plan	OPERS Combined plan
Experience Study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.20%	7.20%
Wage Inflation	3.25%	3.25%
Projected Salary Increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3.00% Simple	3.00% Simple
Post-Jan 7, 2013 Retirees	1.40% Simple through 2020 then 2.15% Simple	1.40% Simple though 2020 then 2.15% Simple

Key Methods and Assumptions in Valuing Total Pension Liability – 2019

	OPERS Traditional plan	OPERS Combined plan
Experience Study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.20%	7.20%
Wage Inflation	3.25%	3.25%
Projected Salary Increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3.00% Simple	3.00% Simple
Post-Jan 7, 2013 Retirees	3.00% Simple through 2018 then 2.15% Simple	3.00% Simple though 2018 then 2.15% Simple

Note 1: Net Pension Liability/Asset (continued)

Changes in Assumptions – OPERS (continued)

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

	OPERS Traditional plan	OPERS Combined plan
Experience Study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Wage Inflation	3.25%	3.25%
Projected Salary Increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3.00% Simple	3.00% Simple
Post-Jan 7, 2013 Retirees	3.00% Simple through 2018 then 2.15% Simple	3.00% Simple though 2018 then 2.15% Simple

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

	OPERS Traditional plan	OPERS Combined plan
Experience Study	5-year period ended December 31, 2010	5-year period ended December 31, 2010
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	8.00%	8.00%
Wage Inflation	3.75%	3.75%
Projected Salary Increases, including 3.75% inflation	4.25 to 10.05%	4.25 to 8.05%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3.00% Simple	3.00% Simple
Post-Jan 7, 2013 Retirees	3.00% Simple through 2018 then 2.80% Simple	3.00% Simple though 2018 then 2.80% Simple

Note 1: Net Pension Liability/Asset (continued)

Changes in Assumptions – OPERS (continued)

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

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

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

Changes in Assumptions – OP&F

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

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

Note 1: Net Pension Liability/Asset (continued)

Changes in Assumptions – OP&F (continued)

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

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

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

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

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

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

Note 2: Net OPEB Liability

Changes in Assumptions – OPERS

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

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

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

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

Changes in Assumptions – OP&F

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

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

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

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

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

Changes in Benefit Terms – OP&F

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

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

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City of Bedford Heights
Cuyahoga County
5661 Perkins Road
Bedford Heights, Ohio 44146-2597

To the Members of the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bedford Heights, Cuyahoga 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 October 26, 2023, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 87, *Leases.*

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

However, we noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated October 26, 2023.

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.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.
October 26, 2023

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF BEDFORD HEIGHTS

CUYAHOGA 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 1/9/2024

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