



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF PAINESVILLE
LAKE COUNTY
DECEMBER 31, 2023**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet - Governmental Funds	20
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	24
Statement of Net Position Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds	30
Statement of Cash Flows Proprietary Funds	32
Statement of Net Position Fiduciary Funds	36
Statement of Changes in Net Position Fiduciary Funds	37

**CITY OF PAINESVILLE
LAKE COUNTY
DECEMBER 31, 2023**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Prepared by Management:	
Notes to the Basic Financial Statements.....	39
Required Supplementary Information:	
Schedule of City's Proportionate Share of the Net Pension Liability.....	102
Schedule of City Pension Contributions	104
Schedule of City's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability (Asset).....	106
Schedule of City's Other Postemployment Benefit (OPEB) Contributions	108
Notes to the Required Supplementary Information	110
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	115
Schedule of Findings.....	117
Prepared by Management:	
Summary Schedule of Prior Audit Findings.....	119

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

City of Painesville
Lake County
7 Richmond Street
Painesville, Ohio 44077

To the City Council and City Manager:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Painesville, Lake County, Ohio (City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Painesville, Lake County, Ohio as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

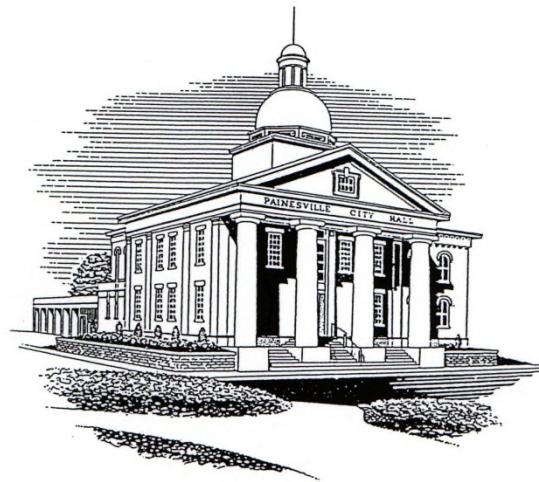
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2025, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

February 20, 2025



CITY OF PAINESVILLE, OHIO

***Management's Discussion and Analysis* For the Year Ended December 31, 2023**

Unaudited

The discussion and analysis of the City of Painesville's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2023. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2023 are as follows:

- In total, net position increased \$4,756,791. Net position of governmental activities increased \$3,931,827, which represents a 7% increase from 2022. Net position of business-type activities increased \$824,964, or 1% from 2022.
- General revenues accounted for \$21,261,863 in revenue, or 31% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$46,853,807, or 69% of total revenues of \$68,115,670.
- The City had \$22,358,847 in expenses related to governmental activities; only \$4,231,114 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$21,261,863 were adequate to fully provide for these programs.
- Among major funds, the general fund had \$18,531,140 in revenues and \$13,960,894 in expenditures. The general fund's fund balance increased \$4,932,943.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

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

CITY OF PAINESVILLE, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2023

Unaudited

Government-Wide Financial Statements

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

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

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets.

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

- Governmental Activities – Most of the City's programs and services are reported here including general government, public safety, highways and streets, public health and welfare, culture and recreation, community environment, interest and fiscal charges, and other expenses.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer, electric, refuse, off-street parking, storm water and community program services are reported as business-type activities.

Fund Financial Statements

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

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

CITY OF PAINESVILLE, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2023

Unaudited

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net position at December 31, 2023 and 2022:

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$38,874,546	\$32,700,531	\$35,997,374	\$38,324,507	\$74,871,920	\$71,025,038
Net OPEB Asset	0	639,209	0	1,527,673	0	2,166,882
Capital Assets, Net	54,791,535	54,702,131	87,181,687	84,582,422	141,973,222	139,284,553
Total Assets	93,666,081	88,041,871	123,179,061	124,434,602	216,845,142	212,476,473
Deferred Outflows of Resources	10,611,451	6,577,486	7,036,445	2,245,890	17,647,896	8,823,376
Net Pension Liability	26,188,008	14,876,101	15,364,324	5,234,805	41,552,332	20,110,906
Net OPEB Liability	1,651,354	2,297,461	401,362	171,600	2,052,716	2,469,061
Long-Term Liabilities	8,794,852	9,289,752	21,685,451	22,767,820	30,480,303	32,057,572
Other Liabilities	3,359,999	3,103,336	4,591,042	4,304,942	7,951,041	7,408,278
Total Liabilities	39,994,213	29,566,650	42,042,179	32,479,167	82,036,392	62,045,817
Deferred Inflows of Resources	6,628,313	11,329,528	487,536	7,340,498	7,115,849	18,670,026
Net Position						
Net Investment in Capital Assets	48,351,634	47,649,570	66,679,247	65,729,675	115,030,881	113,379,245
Restricted	14,370,080	13,084,223	0	0	14,370,080	13,084,223
Unrestricted	(5,066,708)	(7,010,614)	21,006,544	21,131,152	15,939,836	14,120,538
Total Net Position	<u>\$57,655,006</u>	<u>\$53,723,179</u>	<u>\$87,685,791</u>	<u>\$86,860,827</u>	<u>\$145,340,797</u>	<u>\$140,584,006</u>

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

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

CITY OF PAINESVILLE, OHIO

***Management's Discussion and Analysis* For the Year Ended December 31, 2023**

Unaudited

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

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

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

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

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

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

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

CITY OF PAINESVILLE, OHIO

Management's Discussion and Analysis
For the Year Ended December 31, 2023

Unaudited

Change in Net Position – The following table shows the change in net position for 2023 and 2022:

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues:						
Charges for Services and Sales	\$2,733,786	\$3,049,735	\$41,682,013	\$41,992,157	\$44,415,799	\$45,041,892
Operating Grants and Contributions	1,497,328	1,472,034	10,000	15,750	1,507,328	1,487,784
Capital Grants and Contributions	0	193,786	930,680	1,224,050	930,680	1,417,836
Total Program Revenues	4,231,114	4,715,555	42,622,693	43,231,957	46,853,807	47,947,512
General Revenues:						
Property Taxes	4,009,627	3,242,091	0	0	4,009,627	3,242,091
Municipal Income Taxes	12,630,352	11,360,620	0	0	12,630,352	11,360,620
Intergovernmental, Unrestricted	1,396,634	1,072,731	0	0	1,396,634	1,072,731
Investment Earnings	1,997,090	(1,514,512)	0	0	1,997,090	(1,514,512)
Miscellaneous	1,228,160	1,435,464	0	0	1,228,160	1,435,464
Total General Revenues	21,261,863	15,596,394	0	0	21,261,863	15,596,394
Total Revenues	25,492,977	20,311,949	42,622,693	43,231,957	68,115,670	63,543,906
Program Expenses						
General Government	6,008,405	5,083,805	0	0	6,008,405	5,083,805
Public Safety	11,301,342	9,360,511	0	0	11,301,342	9,360,511
Highways and Streets	3,048,110	2,598,606	0	0	3,048,110	2,598,606
Public Health and Welfare	794,483	553,134	0	0	794,483	553,134
Culture and Recreation	834,563	577,726	0	0	834,563	577,726
Community Environment	199,959	119,341	0	0	199,959	119,341
Interest and Fiscal Charges	171,985	192,958	0	0	171,985	192,958
Water	0	0	6,654,279	5,115,863	6,654,279	5,115,863
Sewer	0	0	4,558,023	3,592,480	4,558,023	3,592,480
Electric	0	0	29,276,246	24,479,326	29,276,246	24,479,326
Refuse	0	0	1,238	0	1,238	0
Off-Street Parking	0	0	7,262	4,319	7,262	4,319
Storm Water Utility	0	0	401,878	365,946	401,878	365,946
Community Programs	0	0	101,106	102,160	101,106	102,160
Total Expenses	22,358,847	18,486,081	41,000,032	33,660,094	63,358,879	52,146,175
Excess (Deficiency) Before Transfers	3,134,130	1,825,868	1,622,661	9,571,863	4,756,791	11,397,731
Transfers	797,697	810,761	(797,697)	(810,761)	0	0
Total Change in Net Position	3,931,827	2,636,629	824,964	8,761,102	4,756,791	11,397,731
Beginning Net Position	53,723,179	51,086,550	86,860,827	78,099,725	140,584,006	129,186,275
Ending Net Position	\$57,655,006	\$53,723,179	\$87,685,791	\$86,860,827	\$145,340,797	\$140,584,006

CITY OF PAINESVILLE, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2023

Unaudited

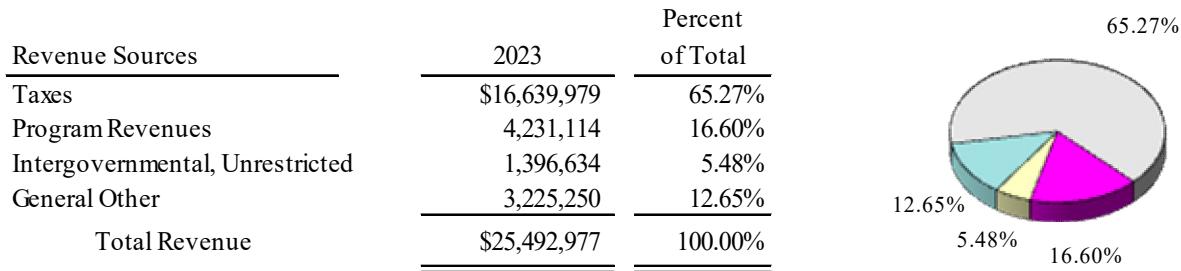
Governmental Activities

Governmental activities net position increased \$3,931,827, or 7%. An increase in amounts received from tax increment financing arrangements resulted in an increase in property taxes. An increase in income taxes can be attributed to improving economic conditions. An increase in investment earnings can be attributed to an increase in interest rates.

An overall increase in expenses can be attributed to changes in the Net Pension and Net OPEB liabilities.

The City also receives an income tax, which is based on 2.0% of all salaries, wages, commissions and other compensation and on net profits earned from residents living within the City and businesses operating in the City.

Taxes made up 65% of revenues for governmental activities in 2023. The City's reliance upon tax revenues is demonstrated by the following graph:



Business-Type Activities

Net position of the business-type activities increased \$824,964, or 1%. An overall increase in expenses can be attributed to changes in the Net Pension and Net OPEB liabilities. Revenues were consistent with the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$28,691,942, which is an increase from last year's balance of \$23,593,462. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2023 and 2022:

	Fund Balance December 31, 2023	Fund Balance December 31, 2022	Increase (Decrease)
General	\$12,690,379	\$7,757,436	\$4,932,943
Other Governmental	16,001,563	15,836,026	165,537
Total	\$28,691,942	\$23,593,462	\$5,098,480

CITY OF PAINESVILLE, OHIO

Management's Discussion and Analysis
For the Year Ended December 31, 2023

Unaudited

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

	2023	2022	Increase (Decrease)
	Revenues	Revenues	
Property Taxes	\$513,023	\$539,996	(\$26,973)
Municipal Income Taxes	12,534,167	11,440,689	1,093,478
Intergovernmental Revenues	1,144,988	1,135,067	9,921
Charges for Services	44,383	55,293	(10,910)
Licenses, Permits and Inspection Fees	289,278	309,944	(20,666)
Investment Earnings	1,945,681	(1,533,984)	3,479,665
Fines and Forfeitures	1,008,338	915,952	92,386
All Other Revenue	1,051,282	1,208,604	(157,322)
Total	<u>\$18,531,140</u>	<u>\$14,071,561</u>	<u>\$4,459,579</u>

General Fund revenues increased 32% when compared to 2022 revenues. An increase in income taxes can be attributed to improving economic conditions. An increase in investment earnings can be attributed to an increase in interest rates.

	2023	2022	Increase (Decrease)
	Expenditures	Expenditures	
Current:			
General Government	\$4,939,996	\$5,515,479	(\$575,483)
Public Safety	7,398,824	7,478,663	(79,839)
Highways and Streets	613,006	679,987	(66,981)
Public Health and Welfare	180,584	172,100	8,484
Culture and Recreation	719,567	667,583	51,984
Community Environment	108,917	105,663	3,254
Total	<u>\$13,960,894</u>	<u>\$14,619,475</u>	<u>(\$658,581)</u>

General Fund expenditures decreased \$658,581, or approximately 5% from the prior year. This decrease can mostly be attributed to decreased health insurance and worker's compensation costs.

Water Fund – The City's Water Fund reported an increase in net position of 7%. An increase in expenses can be attributed to changes in the Net Pension and Net OPEB liabilities. Revenues were consistent with the prior year.

Sewer Fund – The City's Sewer Fund reported a decrease in net position of 3%. An increase in expenses can be attributed to changes in the Net Pension and Net OPEB liabilities. Revenues were consistent with the prior year.

Electric Fund – The City's Electric Fund reported a decrease in net position of 3%. An increase in expenses can be attributed to changes in the Net Pension and Net OPEB liabilities as well as an increase in the cost of purchased power. Revenues were consistent with the prior year.

CITY OF PAINESVILLE, OHIO

Management's Discussion and Analysis
For the Year Ended December 31, 2023

Unaudited

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2023 the City amended its General Fund budget several times.

For the General Fund, original and final revenue estimates were not materially different. Actual budget basis revenues were 34% higher than final estimates due to an increase in income taxes and investment earnings. Original budgeted, final budgeted and actual budget basis expenditures were not materially different. The General Fund had an adequate fund balance to cover expenditures.

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CITY OF PAINESVILLE, OHIO

Management's Discussion and Analysis **For the Year Ended December 31, 2023**

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023 the City had \$141,973,222 net of accumulated depreciation invested in land, construction in progress, buildings and improvements, improvements other than buildings, machinery and equipment, and infrastructure. Of this total, \$54,791,535 was related to governmental activities and \$87,181,687 to the business-type activities. The following tables show 2023 and 2022 balances:

	Governmental Activities		Increase (Decrease)
	2023	2022	
Land	\$13,290,287	\$13,136,789	\$153,498
Construction in Progress	4,014,826	3,730,129	284,697
Buildings and Improvements	8,186,739	8,118,579	68,160
Improvements other than Buildings	3,573,440	3,573,440	0
Machinery and Equipment	13,166,054	12,209,957	956,097
Infrastructure	51,678,657	50,704,193	974,464
Less: Accumulated Depreciation	(39,118,468)	(36,770,956)	(2,347,512)
Totals	\$54,791,535	\$54,702,131	\$89,404

Governmental Activities capital asset additions included land acquisition, various equipment purchases, and building improvements. Infrastructure additions included routine improvement projects for various City streets.

	Business-Type Activities		Increase (Decrease)
	2023	2022	
Land	\$4,353,580	\$2,010,667	\$2,342,913
Construction in Progress	14,021,994	13,758,674	263,320
Buildings and Improvements	32,037,250	32,013,107	24,143
Infrastructure	86,235,057	83,145,794	3,089,263
Machinery and Equipment	41,649,858	40,710,918	938,940
Less: Accumulated Depreciation	(91,116,052)	(87,056,738)	(4,059,314)
Totals	\$87,181,687	\$84,582,422	\$2,599,265

In Business-Type capital assets, increases in infrastructure can be attributed to various water and electric improvements. Various vehicle and utility equipment purchases contributed to an increase in machinery and equipment. Land additions of \$2.3 million included the purchase of property for a water plant improvement project. Additional information on the City's capital assets can be found in Note 9.

CITY OF PAINESVILLE, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2023

Unaudited

Long-Term Debt and Other Long-Term Obligations

The following table summarizes the City's long-term debt and other long-term obligations outstanding as of December 31, 2023 and 2022:

	2023	2022
Governmental Activities:		
General Obligation Bonds	\$4,785,456	\$5,213,284
Special Assessment Bonds	60,000	90,000
Ohio Public Works Commission Loans	916,590	969,836
Long Term Notes Payable	677,855	779,441
Compensated Absences	1,554,805	1,482,650
Workers' Compensation Liability	360,100	285,211
Police and Firemen's Accrued Pension	<u>440,046</u>	<u>469,330</u>
Total Governmental Activities	8,794,852	9,289,752
Business-Type Activities:		
General Obligation Bonds	1,305,000	1,395,000
Ohio Water Development Authority Loans	14,859,548	15,863,301
Ohio Public Works Commission Loans	38,742	42,527
Long Term Notes Payable	3,005,000	2,870,000
Installment Loan Payable	1,012,183	1,274,461
AMP Joint Venture Financing Agreement	0	5,829
Compensated Absences	<u>1,464,978</u>	<u>1,316,702</u>
Total Business-Type Activities	21,685,451	22,767,820
Totals	<u>\$30,480,303</u>	<u>\$32,057,572</u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.50% of the total assessed value of real and personal property. At December 31, 2023, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 12.

CITY OF PAINESVILLE, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2023

Unaudited

ECONOMIC FACTORS

The City will continue to focus on strengthening its tax base through community planning and economic development. The City is continuing its efforts to attract and retain quality residential, commercial, and industrial developments. In addition, we are working on two key development areas for new City business parks. However, the stagnate National and State economy and the wholesale overhaul of the State budget will have a direct effect on the City. Continued analysis of our expenditures and ongoing diligence to identify additional long term stable sources of revenue for the General Fund are necessary to maintain the level and quality of service to our residents.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department by calling 440-392-5796 or writing to City of Painesville Finance Department, 7 Richmond Street, Painesville, Ohio 44077.

CITY OF PAINESVILLE, OHIO

Statement of Net Position
December 31, 2023

	Governmental Activities	Business-Type Activities	Total
Assets:			
Pooled Cash and Investments	\$ 26,921,441	\$ 29,033,080	\$ 55,954,521
Cash and Cash Equivalents in Segregated Accounts	442,915	60,839	503,754
Receivables:			
Taxes	7,369,304	0	7,369,304
Accounts	378,674	3,983,967	4,362,641
Intergovernmental	1,306,743	400,000	1,706,743
Interest	141,707	0	141,707
Internal Balances	115,837	(115,837)	0
Inventory of Supplies at Cost	0	466,016	466,016
Land Held for Resale	785,000	0	785,000
Prepaid Items	120,470	401,277	521,747
Restricted Assets:			
Cash and Cash Equivalents	1,292,455	1,768,032	3,060,487
Capital Assets:			
Capital Assets Not Being Depreciated	17,305,113	18,375,574	35,680,687
Capital Assets Being Depreciated, Net	37,486,422	68,806,113	106,292,535
Total Assets	93,666,081	123,179,061	216,845,142
Deferred Outflows of Resources:			
Pension	9,149,272	6,092,513	15,241,785
OPEB	1,462,179	943,932	2,406,111
Total Deferred Outflows of Resources	10,611,451	7,036,445	17,647,896
Liabilities:			
Accounts Payable	595,830	2,069,121	2,664,951
Accrued Wages and Benefits	407,046	282,151	689,197
Intergovernmental Payable	63,873	87,904	151,777
Claims Payable	322,788	0	322,788
Retainage Payable	0	281,967	281,967
Refundable Deposits	0	1,768,032	1,768,032
Payroll Withholding	160,738	0	160,738
Unearned Revenue	1,754,123	0	1,754,123
Accrued Interest Payable	55,601	101,867	157,468
Noncurrent Liabilities:			
Due Within One Year	1,228,307	1,903,490	3,131,797
Due in More Than One Year:			
Net Pension Liability	26,188,008	15,364,324	41,552,332
Net OPEB Liability	1,651,354	401,362	2,052,716
Other Amounts Due in More Than One Year	7,566,545	19,781,961	27,348,506
Total Liabilities	39,994,213	42,042,179	82,036,392

(Continued)

CITY OF PAINESVILLE, OHIO

	Governmental Activities	Business-Type Activities	Total
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	3,953,374	0	3,953,374
Pension	1,040,117	278,395	1,318,512
OPEB	1,634,822	209,141	1,843,963
Total Deferred Inflows of Resources	6,628,313	487,536	7,115,849
Net Position:			
Net Investment in Capital Assets	48,351,634	66,679,247	115,030,881
Restricted For:			
Capital Projects	1,672,327	0	1,672,327
Debt Service	2,451,980	0	2,451,980
Highways	4,953,413	0	4,953,413
Public Safety	1,696,831	0	1,696,831
Community Development	1,174,081	0	1,174,081
Cemetery Operations:			
Nonexpendable	1,292,455	0	1,292,455
Expendable	1,128,993	0	1,128,993
Unrestricted (Deficit)	(5,066,708)	21,006,544	15,939,836
Total Net Position	\$ 57,655,006	\$ 87,685,791	\$ 145,340,797

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

Statement of Activities
For the Year Ended December 31, 2023

	Program Revenues			
	Charges for Services and Sales		Operating Grants and Contributions	Capital Grants and Contributions
	Expenses			
Governmental Activities:				
General Government	\$ 6,008,405	\$ 1,515,359	\$ 235,307	\$ 0
Public Safety	11,301,342	815,336	81,064	0
Highways and Streets	3,048,110	6,453	1,143,573	0
Public Health and Welfare	794,483	154,497	33,744	0
Culture and Recreation	834,563	13,182	0	0
Community Environment	199,959	228,959	3,640	0
Interest and Fiscal Charges	171,985	0	0	0
Total Governmental Activities	22,358,847	2,733,786	1,497,328	0
Business-Type Activities:				
Water	6,654,279	8,150,534	10,000	400,000
Sewer	4,558,023	4,411,717	0	0
Electric	29,276,246	28,618,231	0	0
Refuse	1,238	1,162	0	0
Off Street Parking	7,262	5,921	0	0
Storm Water Utility	401,878	415,111	0	530,680
Community Programs	101,106	79,337	0	0
Total Business-Type Activities	41,000,032	41,682,013	10,000	930,680
Totals	\$ 63,358,879	\$ 44,415,799	\$ 1,507,328	\$ 930,680

General Revenues and Transfers

- Property Taxes
- Municipal Income Taxes
- Intergovernmental, Unrestricted
- Investment Earnings
- Miscellaneous
- Transfers
- Total General Revenues and Transfers
- Change in Net Position
- Net Position Beginning of Year
- Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (4,257,739)	\$ 0	\$ (4,257,739)
(10,404,942)	0	(10,404,942)
(1,898,084)	0	(1,898,084)
(606,242)	0	(606,242)
(821,381)	0	(821,381)
32,640	0	32,640
(171,985)	0	(171,985)
<hr/>	<hr/>	<hr/>
<hr/>	0	(18,127,733)

0	1,906,255	1,906,255
0	(146,306)	(146,306)
0	(658,015)	(658,015)
0	(76)	(76)
0	(1,341)	(1,341)
0	543,913	543,913
0	(21,769)	(21,769)
<hr/>	<hr/>	<hr/>
0	1,622,661	1,622,661
<hr/>	<hr/>	<hr/>
\$ (18,127,733)	\$ 1,622,661	\$ (16,505,072)

4,009,627	0	4,009,627
12,630,352	0	12,630,352
1,396,634	0	1,396,634
1,997,090	0	1,997,090
1,228,160	0	1,228,160
797,697	(797,697)	0
<hr/>	<hr/>	<hr/>
22,059,560	(797,697)	21,261,863
<hr/>	<hr/>	<hr/>
3,931,827	824,964	4,756,791
<hr/>	<hr/>	<hr/>
53,723,179	86,860,827	140,584,006
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>
\$ 57,655,006	\$ 87,685,791	\$ 145,340,797

CITY OF PAINESVILLE, OHIO

Balance Sheet
Governmental Funds
December 31, 2023

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Pooled Cash and Investments	\$ 9,445,677	\$ 16,841,634	\$ 26,287,311
Cash and Cash Equivalents in Segregated Accounts	403,616	39,299	442,915
Receivables:			
Taxes	3,921,700	3,447,604	7,369,304
Accounts	11,058	367,616	378,674
Intergovernmental	629,129	677,614	1,306,743
Interest	141,707	0	141,707
Interfund Loans Receivable	87,250	0	87,250
Land Held for Resale	785,000	0	785,000
Prepaid Items	107,193	13,277	120,470
Restricted Assets:			
Cash and Cash Equivalents	0	1,292,455	1,292,455
Total Assets	\$ 15,532,330	\$ 22,679,499	\$ 38,211,829
Liabilities:			
Accounts Payable	\$ 26,204	\$ 557,833	\$ 584,037
Accrued Wages and Benefits Payable	364,762	42,284	407,046
Intergovernmental Payable	8,195	55,678	63,873
Payroll Withholding	160,738	0	160,738
Interfund Loans Payable	0	87,250	87,250
Unearned Revenue	0	1,754,123	1,754,123
Total Liabilities	559,899	2,497,168	3,057,067
Deferred Inflows of Resources:			
Unavailable Amounts	1,728,260	781,186	2,509,446
Property Tax Levy for Next Fiscal Year	553,792	3,399,582	3,953,374
Total Deferred Inflows of Resources	2,282,052	4,180,768	6,462,820
Fund Balances:			
Nonspendable	892,193	1,305,732	2,197,925
Restricted	7,206	12,684,627	12,691,833
Committed	195,431	2,062,928	2,258,359
Assigned	524,171	0	524,171
Unassigned	11,071,378	(51,724)	11,019,654
Total Fund Balances	12,690,379	16,001,563	28,691,942
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 15,532,330	\$ 22,679,499	\$ 38,211,829

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

**Reconciliation Of Total Governmental Fund Balances
To Net Position Of Governmental Activities
December 31, 2023**

Total Governmental Fund Balances	\$ 28,691,942
<i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	54,791,535
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	2,509,446
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.	(18,078,853)
The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.	(1,823,997)
Internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	55,286
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(8,490,353)</u>
Net Position of Governmental Activities	<u><u>\$ 57,655,006</u></u>

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 513,023	\$ 3,515,230	\$ 4,028,253
Municipal Income Taxes	12,534,167	0	12,534,167
Intergovernmental Revenues	1,144,988	1,721,011	2,865,999
Charges for Services	44,383	792,910	837,293
Licenses, Permits and Inspection Fees	289,278	0	289,278
Investment Earnings	1,945,681	60,260	2,005,941
Special Assessments	0	80,640	80,640
Fines and Forfeitures	1,008,338	490,028	1,498,366
All Other Revenues	1,051,282	180,889	1,232,171
Total Revenues	18,531,140	6,840,968	25,372,108
Expenditures:			
Current:			
General Government	4,939,996	992,770	5,932,766
Public Safety	7,398,824	2,009,256	9,408,080
Highways and Streets	613,006	1,877,082	2,490,088
Public Health and Welfare	180,584	545,943	726,527
Culture and Recreation	719,567	0	719,567
Community Environment	108,917	88,870	197,787
Capital Outlay	0	807,340	807,340
Debt Service:			
Principal Retirement	0	604,832	604,832
Interest and Fiscal Charges	0	184,338	184,338
Total Expenditures	13,960,894	7,110,431	21,071,325
Excess (Deficiency) of Revenues Over Expenditures	4,570,246	(269,463)	4,300,783
Other Financing Sources (Uses):			
Transfers In	797,697	435,000	1,232,697
Transfers Out	(435,000)	0	(435,000)
Total Other Financing Sources (Uses)	362,697	435,000	797,697
Net Change in Fund Balances	4,932,943	165,537	5,098,480
Fund Balance at Beginning of Year	7,757,436	15,836,026	23,593,462
Fund Balance End of Year	\$ 12,690,379	\$ 16,001,563	\$ 28,691,942

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, 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, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 5,098,480
---	--------------

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

89,404

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

120,869

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:

Pension	1,635,533
OPEB	<u>28,379</u>
	1,663,912

Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension/OPEB expense in the statement of activities:

Pension	(3,608,608)
OPEB	<u>45,465</u>
	(3,563,143)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net position. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

612,660

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

4,525

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

(42,871)

The internal service funds are used by management to charge the costs of services to individual funds and is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.

(52,009)

Change in Net Position of Governmental Activities

\$ 3,931,827

See accompanying notes to the basic financial statements

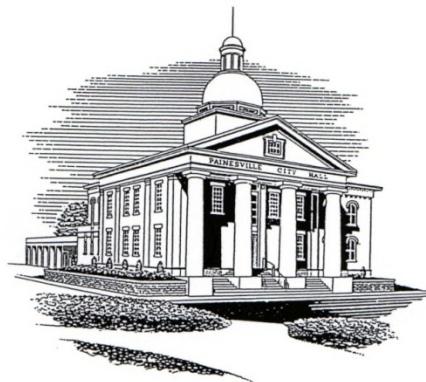
CITY OF PAINESVILLE, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 482,000	\$ 482,000	\$ 513,023	\$ 31,023
Municipal Income Taxes	9,270,000	9,270,000	12,148,484	2,878,484
Intergovernmental Revenue	1,015,800	1,015,800	1,160,936	145,136
Charges for Services	32,535	32,535	44,383	11,848
Licenses, Permits and Inspection Fees	339,100	339,100	333,081	(6,019)
Investment Earnings	475,000	475,000	1,009,442	534,442
Fines and Forfeitures	913,200	913,200	1,010,566	97,366
All Other Revenues	417,820	417,820	1,087,968	670,148
Total Revenues	<u>12,945,455</u>	<u>12,945,455</u>	<u>17,307,883</u>	<u>4,362,428</u>
Expenditures:				
Current:				
General Government	5,364,518	5,662,571	5,432,882	229,689
Public Safety	7,668,751	7,558,611	7,449,324	109,287
Highways and Streets	765,008	758,136	687,250	70,886
Public Health and Welfare	180,804	180,804	180,804	0
Culture and Recreation	775,780	772,555	726,703	45,852
Community Environment	113,258	130,974	105,241	25,733
Total Expenditures	<u>14,868,119</u>	<u>15,063,651</u>	<u>14,582,204</u>	<u>481,447</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(1,922,664)	(2,118,196)	2,725,679	4,843,875
Other Financing Sources (Uses):				
Transfers In	700,000	700,000	997,697	297,697
Transfers Out	(100,000)	(635,000)	(635,000)	0
Advances Out	0	(87,250)	(87,250)	0
Total Other Financing Sources (Uses):	<u>600,000</u>	<u>(22,250)</u>	<u>275,447</u>	<u>297,697</u>
Net Changes in Fund Balance	(1,322,664)	(2,140,446)	3,001,126	5,141,572
Fund Balance at Beginning of Year	5,942,281	5,942,281	5,942,281	0
Prior Year Encumbrances	770,224	770,224	770,224	0
Fund Balance at End of Year	<u>\$ 5,389,841</u>	<u>\$ 4,572,059</u>	<u>\$ 9,713,631</u>	<u>\$ 5,141,572</u>

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO



CITY OF PAINESVILLE, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2023**

	Business-Type Activities			
	Enterprise Funds			
	Water	Sewer	Electric	Other Enterprise Funds
Assets:				
Current Assets:				
Pooled Cash and Investments	\$ 9,421,549	\$ 2,740,398	\$ 14,741,223	\$ 2,190,749
Receivables:				
Accounts	799,879	397,847	2,754,650	31,591
Intergovernmental	400,000	0	0	0
Inventory of Supplies at Cost	0	0	466,016	0
Prepaid Items	90,252	81,431	229,594	0
Total Current Assets	<u>10,711,680</u>	<u>3,219,676</u>	<u>18,191,483</u>	<u>2,222,340</u>
Noncurrent Assets:				
Restricted Assets:				
Cash and Cash Equivalents	717,844	0	1,050,188	0
Total Restricted Assets	<u>717,844</u>	<u>0</u>	<u>1,050,188</u>	<u>0</u>
Capital Assets:				
Capital Assets Not Being Depreciated	7,432,972	850,971	9,054,159	1,037,472
Capital Assets Being Depreciated, Net	31,780,673	5,749,261	26,429,299	4,846,880
Total Noncurrent Assets	<u>39,931,489</u>	<u>6,600,232</u>	<u>36,533,646</u>	<u>5,884,352</u>
Total Assets	50,643,169	9,819,908	54,725,129	8,106,692
Deferred Outflows of Resources:				
Pension	1,474,999	1,238,681	3,297,730	81,103
OPEB	228,063	191,908	511,431	12,530
Total Deferred Outflows of Resources	1,703,062	1,430,589	3,809,161	93,633
Liabilities:				
Current Liabilities:				
Accounts Payable	171,511	149,220	1,720,732	27,658
Accrued Wages and Benefits	80,768	53,991	145,241	2,151
Intergovernmental Payable	43,222	23,722	18,960	2,000
Claims Payable - Current	0	0	0	0
Retainage Payable	231,996	0	49,971	0
Refundable Deposits	717,844	0	1,050,188	0
Accrued Interest Payable	72,986	25,328	19	3,534
Installment Loan Payable - Current	246,431	16,429	10,952	0
General Obligation Bonds Payable - Current	0	0	0	90,000
OWDA Loans Payable - Current	823,309	186,668	0	0
OPWC Loans Payable - Current	1,737	2,048	0	0
Compensated Absences Payable - Current	140,131	64,501	318,177	3,107
Total Current Liabilities	<u>2,529,935</u>	<u>521,907</u>	<u>3,314,240</u>	<u>128,450</u>

CITY OF PAINESVILLE, OHIO

Governmental
Activities -
Internal Service
Funds

Total _____

\$ 29,093,919	\$ 634,130
3,983,967	0
400,000	0
466,016	0
401,277	0
<hr/> 34,345,179	<hr/> 634,130

1,768,032	0
<hr/> 1,768,032	<hr/> 0
18,375,574	0
68,806,113	0
<hr/> 88,949,719	<hr/> 0
<hr/> 123,294,898	<hr/> 634,130

6,092,513	0
943,932	0
<hr/> 7,036,445	<hr/> 0

2,069,121	11,793
282,151	0
87,904	0
0	497,527
281,967	0
1,768,032	0
101,867	0
273,812	0
90,000	0
1,009,977	0
3,785	0
525,916	0
<hr/> 6,494,532	<hr/> 509,320

(Continued)

CITY OF PAINESVILLE, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2023**

	Business-Type Activities			
	Enterprise Funds			
	Water	Sewer	Electric	Other Enterprise Funds
Noncurrent Liabilities:				
Installment Loan Payable	664,533	44,302	29,536	0
General Obligation Bonds Payable	0	0	0	1,215,000
Claims Payable	0	0	0	0
OWDA Loans Payable	12,349,628	1,499,943	0	0
OPWC Loans Payable	27,784	7,173	0	0
Compensated Absences Payable	258,682	197,987	470,039	12,354
Long Term Notes Payable	3,005,000	0	0	0
Net Pension Liability	3,660,461	3,122,055	8,381,756	200,052
Net OPEB Liability	82,479	81,256	233,395	4,232
Total Noncurrent Liabilities	20,048,567	4,952,716	9,114,726	1,431,638
Total Liabilities	22,578,502	5,474,623	12,428,966	1,560,088
Deferred Inflows of Resources:				
Pension	60,443	57,014	160,938	0
OPEB	32,340	42,201	133,203	1,397
Total Deferred Inflows of Resources	92,783	99,215	294,141	1,397
Net Position				
Net Investment in Capital Assets	21,863,227	4,843,669	35,392,999	4,579,352
Unrestricted	7,811,719	832,990	10,418,184	2,059,488
Total Net Position	\$ 29,674,946	\$ 5,676,659	\$ 45,811,183	\$ 6,638,840

Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.

Net Position of Business-type Activities

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

Governmental Activities - Internal Service	
Total	Funds
738,371	0
1,215,000	0
0	185,361
13,849,571	0
34,957	0
939,062	0
3,005,000	0
15,364,324	0
401,362	0
<hr/> <u>35,547,647</u>	<hr/> <u>185,361</u>
42,042,179	694,681
 <hr/> <hr/> <hr/> <hr/>	
278,395	0
<hr/> <u>209,141</u>	<hr/> <u>0</u>
<hr/> <u>487,536</u>	<hr/> <u>0</u>
 <hr/> <hr/> <hr/>	
66,679,247	0
21,122,381	(60,551)
<hr/> <u>\$ 87,801,628</u>	<hr/> <u>\$ (60,551)</u>
 <hr/> <hr/> <hr/>	
(115,837)	
<hr/> <u>\$ 87,685,791</u>	<hr/>

CITY OF PAINESVILLE, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2023**

	Business-Type Activities Enterprise Funds			
	Water	Sewer	Electric	Other Enterprise Funds
Operating Revenues:				
Charges for Services	\$ 5,425,674	\$ 4,295,487	\$ 27,336,122	\$ 496,838
Other Charges for Services	428,156	107,420	112,882	2,477
Other Operating Revenues	2,290,972	2,843	1,055,536	1,138
Total Operating Revenues	8,144,802	4,405,750	28,504,540	500,453
Operating Expenses:				
Personal Services	3,103,691	2,562,647	6,756,556	157,548
Contractual Services	762,794	608,309	1,738,424	79,050
Materials and Supplies	464,810	300,959	942,400	22,110
Utilities	540,552	330,077	18,165,538	3,474
Depreciation	1,537,558	700,592	1,617,182	203,982
Total Operating Expenses	6,409,405	4,502,584	29,220,100	466,164
Operating Income (Loss)	1,735,397	(96,834)	(715,560)	34,289
Non-Operating Revenue (Expenses):				
Interest and Fiscal Charges	(227,613)	(55,114)	(2,100)	(45,220)
Intergovernmental Grants	10,000	0	0	0
Other Nonoperating Revenue	5,732	5,967	113,691	1,078
Other Nonoperating Expense	(17,261)	(325)	(5,231)	(100)
Total Non-Operating Revenues (Expenses)	(229,142)	(49,472)	106,360	(44,242)
Income (Loss) Before Transfers and Contribution	1,506,255	(146,306)	(609,200)	(9,953)
Transfers and Contributions:				
Transfers Out	(25,000)	(25,000)	(747,697)	0
Capital Contributions	400,000	0	0	530,680
Total Transfers and Contributions	375,000	(25,000)	(747,697)	530,680
Change in Net Position	1,881,255	(171,306)	(1,356,897)	520,727
Net Position Beginning of Year	27,793,691	5,847,965	47,168,080	6,118,113
Net Position End of Year	\$ 29,674,946	\$ 5,676,659	\$ 45,811,183	\$ 6,638,840

Change in Net Position - Total Enterprise Funds

Adjustment to reflect the consolidation of internal
service fund activities related to the enterprise funds.

Change in Net Position - Business-type Activities

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

Total	Governmental Activities - Internal Service Funds
\$ 37,554,121	\$ 4,788,287
650,935	0
3,350,489	0
<u>41,555,545</u>	<u>4,788,287</u>
 12,580,442	3,572,531
3,188,577	1,297,995
1,730,279	18,585
19,039,641	0
4,059,314	0
<u>40,598,253</u>	<u>4,889,111</u>
 957,292	(100,824)
 (330,047)	0
10,000	0
126,468	0
(22,917)	0
<u>(216,496)</u>	<u>0</u>
 740,796	(100,824)
 (797,697)	0
930,680	0
<u>132,983</u>	<u>0</u>
 873,779	(100,824)
 86,927,849	40,273
<u>\$ 87,801,628</u>	<u>\$ (60,551)</u>
 \$ 873,779	
 (48,815)	
<u>\$ 824,964</u>	

CITY OF PAINESVILLE, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2023

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Electric
Cash Flows from Operating Activities:			
Cash Received from Customers	\$8,001,470	\$4,359,278	\$28,283,518
Cash Receipts from Interfund Services Provided	0	0	0
Cash Payments for Goods and Services	(1,703,321)	(1,232,136)	(20,828,958)
Cash Payments to Employees	(2,958,328)	(2,472,860)	(6,595,487)
Cash Payments for Employee Medical Claims	0	0	0
Net Cash Provided (Used) by Operating Activities	3,339,821	654,282	859,073
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	10,000	0	0
Transfers Out to Other Funds	(25,000)	(25,000)	(747,697)
Net Cash Used by Noncapital Financing Activities	(15,000)	(25,000)	(747,697)
Cash Flows from Capital and Related Financing Activities:			
Note Issuance	3,005,000	0	0
Premiums on Debt Issuances	5,229	0	0
Principal Paid on Notes	(2,870,000)	0	0
Capital Contributions	0	0	0
Acquisition and Construction of Assets	(4,424,090)	(265,730)	(1,774,165)
Principal Paid on Installment Loans	(236,050)	(15,737)	(10,491)
Principal Paid on General Obligation Bonds	0	0	0
Principal Paid on Ohio Public Works Commission Loans	(1,737)	(2,048)	0
Principal Paid on Ohio Water Development Authority Loans	(823,309)	(180,444)	0
Interest Paid on All Debt	(176,090)	(57,828)	(2,105)
Net Cash Provided (Used) for Capital and Related Financing Activities	(5,521,047)	(521,787)	(1,786,761)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,196,226)	107,495	(1,675,385)
Cash and Cash Equivalents at Beginning of Year	12,335,619	2,632,903	17,466,796
Cash and Cash Equivalents at End of Year	\$10,139,393	\$2,740,398	\$15,791,411
Reconciliation of Cash and Cash Equivalents per the Balance Sheet			
Cash and Cash Equivalents	\$9,421,549	\$2,740,398	\$14,741,223
Restricted Cash and Cash Equivalents	717,844	0	1,050,188
Cash and Cash Equivalents at End of Year	\$10,139,393	\$2,740,398	\$15,791,411

CITY OF PAINESVILLE, OHIO

		Governmental Activities
Other Enterprise Funds	Total	Internal Service Funds
\$512,969	\$41,157,235	\$0
0	0	4,788,287
(102,734)	(23,867,149)	(1,304,787)
(153,521)	(12,180,196)	0
0	0	(3,488,394)
256,714	5,109,890	(4,894)
0	10,000	0
0	(797,697)	0
0	(787,697)	0
0	3,005,000	0
0	5,229	0
0	(2,870,000)	0
530,680	530,680	0
(65,499)	(6,529,484)	0
0	(262,278)	0
(90,000)	(90,000)	0
0	(3,785)	0
0	(1,003,753)	0
(45,338)	(281,361)	0
329,843	(7,499,752)	0
586,557	(3,177,559)	(4,894)
1,604,192	34,039,510	639,024
\$2,190,749	\$30,861,951	\$634,130
\$2,190,749	\$29,093,919	\$634,130
0	1,768,032	0
\$2,190,749	\$30,861,951	\$634,130

(Continued)

CITY OF PAINESVILLE, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2023

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$1,735,397	(\$96,834)	(\$715,560)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	1,537,558	700,592	1,617,182
Miscellaneous Nonoperating Revenues	39,067	6,167	76,168
Miscellaneous Nonoperating Expenses	(17,261)	(379)	(5,342)
Changes in Assets, Liabilities, and Deferred Outflows/Inflows:			
(Increase) Decrease in Accounts Receivable	(182,399)	(52,639)	(297,190)
Decrease in Inventory	0	0	123,498
Increase in Prepaid Items	(14,272)	(3,681)	(31,110)
Decrease in Net OPEB Asset	388,294	307,472	810,343
Increase in Deferred Outflows of Resources	(1,205,708)	(978,904)	(2,538,478)
Increase (Decrease) in Accounts Payable	53,146	759	(82,773)
Increase (Decrease) in Accrued Wages and Benefits	16,698	(5,258)	(1,943)
Increase in Intergovernmental Payable	43,222	10,510	18,960
Increase in Compensated Absences Payable	63,607	28,954	54,009
Increase in Claims Liability	0	0	0
Decrease in Payable to Joint Venture	0	0	(5,829)
Increase in Net Pension Liability	2,513,173	2,069,318	5,407,070
Increase in Net OPEB Liability	71,007	46,872	107,651
Decrease in Deferred Inflows of Resources	(1,701,708)	(1,378,667)	(3,677,583)
Total Adjustments	1,604,424	751,116	1,574,633
Net Cash Provided (Used) by Operating Activities	<u><u>\$3,339,821</u></u>	<u><u>\$654,282</u></u>	<u><u>\$859,073</u></u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2023 the Water Fund, Sewer Fund, and Electric Fund had outstanding liabilities of \$90,742, \$130,327, and \$148,651, respectively, for the purchase of certain capital assets.

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

		Governmental Activities	
Other Enterprise Funds	Total	Internal Service Funds	
\$34,289	\$957,292		(\$100,824)
203,982	4,059,314		0
1,078	122,480		0
(100)	(23,082)		0
11,438	(520,790)		0
0	123,498		0
0	(49,063)		0
21,564	1,527,673		0
(67,465)	(4,790,555)		0
0	(28,868)	11,793	
(964)	8,533		0
2,000	74,692		0
1,706	148,276		0
0	0	84,137	
0	(5,829)		0
139,958	10,129,519		0
4,232	229,762		0
(95,004)	(6,852,962)		0
<u>222,425</u>	<u>4,152,598</u>		<u>95,930</u>
<u>\$256,714</u>	<u>\$5,109,890</u>		<u>(\$4,894)</u>

CITY OF PAINESVILLE, OHIO

Statement of Net Position
Fiduciary Funds
December 31, 2023

	Private Purpose	
	Trust	
	Deposit Trust	Custodial
Assets:		
Cash and Cash Equivalents	\$ 880,162	\$ 63,837
Cash and Cash Equivalents in Segregated Accounts	0	2,288
Receivables:		
Taxes	0	165,663
Total Assets	880,162	231,788
Liabilities:		
Intergovernmental Payable	0	165,663
Due to Others	0	23,477
Total Liabilities	0	189,140
Net Position:		
Restricted For:		
Court Bonds	0	42,648
Other Purposes	880,162	0
Total Net Position	\$ 880,162	\$ 42,648

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended December 31, 2023

	Private Purpose	
	Trust	
	Deposit Trust	Custodial
Additions:		
Fines and Forfeiture Collections for other Governments	\$ 0	\$ 1,905,603
Deposits Held for Others	178,425	0
Income Tax Collections for Other Governments	0	1,053,382
Total Additions	178,425	2,958,985
Deductions:		
Distribution of Fines and Forfeitures to other Governments	0	1,899,653
Distribution of Deposits to Others	141,818	0
Distribution of Income Taxes to other Governments	0	1,053,382
Total Deductions	141,818	2,953,035
Change in Net Position	36,607	5,950
Net Position at Beginning of Year	843,555	36,698
Net Position End of Year	\$ 880,162	\$ 42,648

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO



CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Painesville, Ohio (the City), is a home-rule municipal corporation created under the laws of the State of Ohio. The City operates under its own Charter. The current Charter, which provides for a Council/Manager form of government, was adopted on November 6, 1962 and has been amended four times (1963, 1973, 1983 and 1989).

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (the "GASB") Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units"* and GASB Statement No. 61, *"The Financial Reporting Entity; Omnibus"* in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which includes the following services: public safety (police and fire), health (health department), culture and recreation (parks and recreation), community environment (planning, zoning and community development), basic utility (water, electric, sanitation, public parking and wastewater pollution control), highways and streets (street and highway maintenance), and general government (administrative services including the municipal court).

Joint Venture with Equity Interest – The City is a participant with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 2 (Omega JV-2). The Omega JV-2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economics of the participants' respective municipal electric utility systems. The Omega JV-2 is managed by AMP-Ohio, which acts as the joint venture's agent. See Note 14, "Joint Venture."

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues and expenditures (expenses).

The various funds are grouped into generic fund types and three broad fund categories for financial statement presentation purposes. Governmental funds include the general, special revenue, debt service, capital projects, and permanent funds. Proprietary funds include enterprise and internal service funds. Fiduciary funds include trust and custodial funds. The following fund types are used by the City:

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

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

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City maintains separate enterprise funds for its water, sewer, electricity, refuse, off-street parking, storm water utility services and community programs. The following are the City's major enterprise funds:

Water Fund - This fund is used to account for the operation of the City's water treatment and distribution systems.

Sewer Fund - This fund is used to account for the operation of the City's sewage treatment and collection systems.

Electric Fund - This fund is used to account for the operation of the City's electric generation and distribution systems.

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City uses internal service funds to account for costs associated with fuel, supplies, employee health insurance, and worker's compensation.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City's fiduciary funds are private-purpose trust funds and custodial funds. The City's private-purpose trust fund accounts for various deposits held by the City. The City's custodial funds account for monies that flow through the Municipal Court, and income tax collections generated by the Concord Township Joint Economic Development District.

C. Basis of Presentation - Financial Statements

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. In order to avoid distorting the measurement of the cost of individual functional activities, entries are made to eliminate the activity provided by the internal service funds to those funds considered governmental and those considered business-type. These balances appear as internal balances on the statement of net position.

Interfund receivables and payables between governmental and business-type activities have been eliminated in the government-wide Statement of Net Position. These eliminations minimize the duplicating effect on assets and liabilities within the governmental and business-type activities total column. Interfund services provided and used are not eliminated in the process of consolidation.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

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

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

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

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

D. Basis of Accounting

The basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus. The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Revenue considered susceptible to accrual at year end includes income taxes, interest on investments, fines and forfeitures, and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Special assessment installments, including related accrued interest, which are measurable but not available at December 31, are recorded as deferred inflows of resources. Property taxes which are measurable at December 31, 2023, but which are not intended to finance 2023 operations or are not expected to be received within sixty (60) days after year end, are recorded as deferred inflows of resources. Property taxes are further described in Note 5.

The accrual basis of accounting is utilized for reporting purposes by all government wide statements, proprietary funds, and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in the proprietary funds.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the annual tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

All funds, other than custodial funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the program level (general government, public safety, highways and streets, public health and welfare, culture and recreation and community environment) and within each program at the level of personal services, certain other expenditures, capital outlay and transfers as required by Ohio law. The City Manager is authorized to transfer appropriations between objects of expenditure budgeted within the same program, so long as total appropriations for each program do not exceed the amount approved by Council. Budgetary modifications, other than those noted previously, may only be made by ordinance of the City Council.

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1st of each year. As part of the certification process, the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The estimated revenue amounts reported on the accompanying budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued for 2023.

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1st of each year for the period January 1 through March 31. By Charter, the City Manager must submit an annual appropriation ordinance (for the period January 1 through December 31) to City Council by March 31 of each year. The primary level of budgetary control is at the program level (general government, public safety, highways and streets, public health and welfare, culture and recreation and community environment) and within each program at the level of personal services, certain other expenditures, capital outlay and transfers as required by Ohio law. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. During the year, several supplemental appropriations were necessary. The budgetary figures which appear in the Statement of Revenues, Expenditures, and Changes in Fund Balance--Budget and Actual—General Fund, are presented on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

The City's budgetary process accounts for the City's transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures on the budgetary basis. On the budgetary basis investment earnings are recognized when realized, whereas on a GAAP basis unrealized gains and losses are recognized when investments are adjusted to fair value.

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the “Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual” for the General Fund:

<u>Net Change in Fund Balance</u>	
	<u>General Fund</u>
GAAP Basis (as reported)	\$4,932,943
Increase (Decrease):	
Accrued Revenues at December 31, 2023 received during 2024	(2,912,408)
Accrued Revenues at December 31, 2022 received during 2023	2,632,726
Accrued Expenditures at December 31, 2023 paid during 2024	559,899
Accrued Expenditures at December 31, 2022 paid during 2023	(730,637)
2022 Prepays for 2023	94,475
2023 Prepays for 2024	(107,193)
2022 Adjustment to Fair Value	(1,961,204)
2023 Adjustment to Fair Value	1,055,834
Outstanding Encumbrances	(558,566)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	(4,743)
Budget Basis	<u><u>\$3,001,126</u></u>

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, the State Treasury Asset Reserve (STAR Ohio), and short-term certificates of deposit with original maturities of three months or less. The STAR Ohio is considered an investment for purposes of GASB Statement No. 3, but it is reported as a cash equivalent in the basic financial statements because it is a highly liquid instrument which is readily convertible to cash.

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents (Continued)

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash, including the investment instrument described above, represents the balance on hand as if each fund maintained its own cash and investments account. For purposes of the statement of cash flows, the share of equity in the pooled cash and investments of the proprietary funds is considered to be a cash equivalent. See Note 4 "Cash and Cash Equivalents."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*" and GASB Statement No. 72, "*Fair Value Measurement and Application*," the City records all its investments at fair value except for nonparticipating investment contracts which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements. Investment earnings of \$1,680,639 earned by other funds were credited to the General Fund as required by state statute.

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

The City's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For fiscal year 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

H. Accounts Receivable

Receivables consist primarily of taxes in the governmental funds and accounts (billings for user charged services, including unbilled amounts) in the proprietary funds.

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Inventory

On the government-wide financial statements and in the proprietary funds, inventories are presented at cost on a first-in, first-out basis and are expensed when used.

J. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life threshold of three or more years.

1. Property, Plant and Equipment - Governmental Activities

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

Contributed capital assets are recorded at acquisition value at the date received. Capital assets include land, improvements to land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

Description	Governmental and Business-Type Activities Estimated Lives (Years)
Buildings and Improvements	40 - 60
Utility Plant in Service	20 - 60
Improvements other than Buildings	20
Infrastructure	25 - 50
Machinery, Equipment, Furniture, Fixtures and Vehicles	5 - 15

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. To the extent that certain transactions between funds have not been paid or received as of year end, interfund receivables or payables have been recorded.

L. Compensated Absences

In accordance with GASB Statement No. 16, *“Accounting for Compensated Absences”*, the City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account “Compensated Absences Payable.” The City only reports a “Compensated Absence Payable” in governmental funds if the liability has matured. In the government wide statement of net position, “Compensated Absences Payable” is recorded within the “Due within one year” account and the long-term portion of the liability is recorded within the “Due in more than one year” account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

Employees of the City earn vacation leave at various rates within limits specified under collective bargaining agreements or under statute. At termination or retirement, employees are paid at their full rate for 100% of their unused vacation leave.

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

M. Long-Term Debt

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and special termination benefits are reported in the government wide statement of net position as a liability to the extent that they will not be paid with current expendable available financial resources. Such liabilities are reported in the government wide statement of net position in the “Due within one year” account and the “Due in more than one year” account. Bonds are recognized as a liability in the government wide statement of net position. Long-term debt and other obligations to be paid from proprietary funds are reported in those funds.

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Long-Term Debt (Continued)

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

Obligation	Fund
General Obligation Bonds	General Bond Retirement Fund, Storm Water Utility Fund
Special Assessment Bonds	Special Assessment Bond Retirement Fund
Ohio Public Works Commission (OPWC) Loans	Street Construction, Maintenance and Repair Fund Water Fund, Sewer Fund
Ohio Water Development Authority (OWDA) Loans	Water Fund Sewer Fund
AMP Joint Venture Financing	Electric Fund
Police and Fire Pension Accrued Liability	General Fund
Workers' Compensation Liability	Workers' Compensation Retrospective Fund
Installment Loans	Fire Levy Fund Water Fund Sewer Fund Electric Fund
Compensated Absences/Net Pension Liability/Net OPEB Liability	General Fund Street Construction, Maintenance and Repair Fund Cemeteries Fund Water Fund Sewer Fund Electric Fund Storm Water Utility Fund
Long-Term Notes Payable	General Bond Retirement Fund

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balances

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

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

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority. For the City, these constraints consist of ordinances passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Assigned amounts represent intended uses established by policies of City Council, including giving the Finance Director the authority to constrain monies for intended purposes. City Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Through the City's purchasing policy, City Council has given the Finance Director the authority to constrain monies for intended purposes, which are also reported as assigned fund balance.

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

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

O. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2023, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Restricted Assets

Certain cash and cash equivalents are classified as restricted on the balance sheet because these funds are being held by a trustee, an agent or by the City for specified purposes.

Q. Intergovernmental Revenues

In governmental funds, grants awarded on a non-reimbursement basis, entitlements and shared revenues are recorded as intergovernmental receivables and revenues when measurable and available. Reimbursable grants are recorded as intergovernmental receivables and revenues when the related expenditures are made. Grants received for proprietary fund operations are recognized as revenues when measurable and earned. Such resources restricted for the construction of capital assets are recorded as contributed capital.

R. Pension/OPEB

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

S. Net Position

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

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

T. 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.

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water treatment and distribution, wastewater collection and treatment, maintenance of storm water collection systems, electric distribution, off-street parking and collection of solid waste refuse. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

V. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2023.

W. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. For the City, deferred outflows of resources are reported for pension/OPEB amounts on the government-wide and proprietary funds statement of net position. See Notes 10 and 11.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension/OPEB are reported on the government-wide and proprietary funds statement of net position. See Notes 10 and 11.

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Other long-term assets not available to pay for current-period expenditures:

Tax Revenues	\$1,376,504
Shared Revenues	753,792
Interest Revenues	26,213
Charges for Services	268,897
Grant Revenue	84,040
	<hr/>
	\$2,509,446

Net Pension liability and related deferred outflows/inflows:

Deferred Outflows - Pension	\$9,149,272
Deferred Inflows - Pension	(1,040,117)
Net Pension Liability	(26,188,008)
	<hr/>
	(\$18,078,853)

Net OPEB liability (asset) and related deferred outflows/inflows:

Deferred Outflows - OPEB	\$1,462,179
Deferred Inflows - OPEB	(1,634,822)
Net OPEB Liability	(1,651,354)
	<hr/>
	(\$1,823,997)

Long-Term liabilities not reported in the funds:

General Obligation Bonds Payable	(\$4,785,456)
Special Assessment Bonds Payable	(60,000)
Long Term Notes Payable	(677,855)
OPWC Loans Payable	(916,590)
Accrued Interest on Long-Term Debt	(55,601)
Police/Firemen's Pension Accrued Liability	(440,046)
Compensated Absences Payable	(1,554,805)
	<hr/>
	(\$8,490,353)

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government – wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Amount by which capital outlay exceeded depreciation in the current period:

Capital Outlay	\$2,436,916
Depreciation Expense	(2,347,512)
	<u><u>\$89,404</u></u>

Governmental revenues not reported in the funds:

Increase in Tax Revenue	\$77,559
Decrease in Intergovernmental Revenue	(33,693)
Decrease in Interest Revenue	(8,851)
Increase in Charges for Services	28,209
Increase in Grant Revenue	<u><u>57,645</u></u>
	<u><u>\$120,869</u></u>

Net amount of long-term debt issuance and principal payments:

Long-Term Note Principal Payment	\$101,586
Premium Amortization	7,828
General Obligation Bond Principal Payment	420,000
Special Assessment Bond Principal Payment	30,000
OPWC Loan Principal Payment	<u><u>53,246</u></u>
	<u><u>\$612,660</u></u>

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	(\$72,155)
Decrease in Police/Firemen's Pension Liability	<u><u>29,284</u></u>
	<u><u>(\$42,871)</u></u>

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 3 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Land Held for Resale	\$785,000	\$0	\$785,000
Prepaid Items	107,193	13,277	120,470
Permanent Fund Corpus	0	1,292,455	1,292,455
Total Nonspendable	892,193	1,305,732	2,197,925
Restricted:			
Street Maintenance and Repair	0	4,634,477	4,634,477
Cemetery Maintenance	0	1,173,073	1,173,073
Law Enforcement	7,206	490,457	497,663
Fire Department Operations	0	622,402	622,402
Drug and Alcohol Treatment	0	135,502	135,502
Adult Probation Program	0	239,449	239,449
Court Computer Improvements	0	124,258	124,258
Community Improvements	0	50,937	50,937
Inspections and Plan Reviews	0	602,856	602,856
Encore Estates TIF	0	487,968	487,968
Debt Retirement	0	2,446,011	2,446,011
Capital Improvements	0	1,677,237	1,677,237
Total Restricted	7,206	12,684,627	12,691,833
Committed:			
Emergency Medical Services	0	311,254	311,254
Capital Improvements	0	1,751,674	1,751,674
Community Improvements	184,500	0	184,500
Underground Storage Tank Cleanup	10,931	0	10,931
Total Committed	195,431	2,062,928	2,258,359
Assigned:			
Contractual Services and Supplies	524,171	0	524,171
Total Assigned	524,171	0	524,171
Unassigned (Deficits):			
	11,071,378	(51,724)	11,019,654
Total Fund Balances	\$12,690,379	\$16,001,563	\$28,691,942

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

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

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and;
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

A. Deposits

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

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

At December 31, 2023, the carrying amount of the City's deposits was \$10,905,282 and the bank balance was \$11,267,755. Of the bank balance, \$900,844 was covered by federal depository insurance and \$10,366,911 was exposed to custodial risk and was collateralized with securities held in the Ohio Pooled Collateral System.

B. Investments

The City's investments at December 31, 2023 were as follows:

	Fair Value	Credit Rating	Fair Value Hierarchy	Concentration of Credit Risk	Investment Maturities (in Years)		
					less than 1	1-3	3-5
STAR Ohio ⁴	\$6,918,888	AA Am ¹	NA	13.96%	\$6,918,888	\$0	\$0
Negotiable CD's	2,431,475	AAA ³	Level 2	4.91%	1,957,473	0	474,002
US Treasury Notes	10,092,080	N/A	Level 2	20.37%	1,625,466	3,979,234	4,487,380
US Treasury Bonds	844,583	N/A	Level 2	1.70%	844,583	0	0
PEFCO	271,909	AA+ ¹ / Aaa ²	Level 2	0.55%	0	0	271,909
FHLMC	1,920,046	AA+ ¹ / Aaa ²	Level 2	3.87%	0	1,920,046	0
FHLB	9,448,117	AA+ ¹ / Aaa ²	Level 2	19.06%	4,388,826	2,963,247	2,096,044
FMCC	4,485,644	AA+ ¹ / Aaa ²	Level 2	9.05%	0	4,485,644	0
AGM	765,743	AA+ ¹ / Aaa ²	Level 2	1.55%	0	765,743	0
FFCB	9,976,744	AA+ ¹ / Aaa ²	Level 2	20.13%	3,976,907	1,750,339	4,249,498
FNMA	2,404,538	AAA ¹ / Aaa ²	Level 2	4.85%	1,803,818	600,720	0
Total Investments	<u>\$49,559,767</u>			<u>100.00%</u>	<u>\$21,515,961</u>	<u>\$16,464,973</u>	<u>\$11,578,833</u>

¹ Standard & Poor's

² Moody's Investor Service

³ All are fully FDIC insured and therefore have an implied AAA credit rating

⁴ Reported at amortized cost

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date.

Investment Credit Risk – The City has no investment policy that limits its investment choices other than the limitation of State statute for “interim” funds described previously.

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

B. Investments (Continued)

Concentration of Credit Risk – The City places no limit on the amount that may be invested in one issuer. Allocation of the City’s investments by issuer is detailed in the table above.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

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. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Level 2 inputs are significant other observable inputs. Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs.

C. Cemetery Endowments

The Cemetery Trust and Endowment Trust funds report endowments received and held by the City. The endowments are to be held permanently by the City and are invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). Earnings from the endowments are to be used for upkeep of the City’s two cemeteries. Restricted fund balance of \$285,757 in these funds at December 31, 2023 represents the net earnings on the endowments available for expenditure. The City disburses earnings from the endowments periodically for cemetery upkeep as stipulated in the trust agreement.

NOTE 5 - PROPERTY TAX

Property taxes include amounts levied against all real estate and public utility property located in the City. Real property taxes (other than public utility) collected during 2023 were levied after October 1, 2022 on assessed values as of January 1, 2022, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2018. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 5 - PROPERTY TAX (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Painesville. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2023 was \$10.67 per \$1,000 of assessed value. The assessed value upon which the 2023 collections were based was \$292,539,010. This amount constitutes \$288,751,060 in real property assessed value and \$3,787,950 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Property taxes recorded as revenue in 2023 were based on a tax rate equal to 1.067% (10.67 mills) of assessed value.

The City provides tax incentives under the Community Reinvestment Area (CRA) Tax Abatement Program.

Real Estate Tax Abatement

Pursuant to Ohio Revised Code Chapter 5709, the City established a Community Reinvestment Area and has now established its first commercial post-1994 CRA. The City authorizes incentives through the Community Reinvestment Area Tax Abatement Program and those abatements are authorized by the Lake County Court House. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The establishment of the Community Reinvestment Area gave the City the ability to maintain and expand business located within the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate and includes major housing improvements in specified areas.

The City has offered the CRA abatements to encourage economic stability, maintain property values, and generate new employment opportunities and population growth. Below is the information relevant to the disclosure of this program for the year ending December 31, 2023.

	<u>Total Amount of Taxes Abated For the year 2023</u>
<i>Community Reinvestment Area (CRA)</i>	
Industrial	<u>\$724,040</u>
	<u><u>\$724,040</u></u>

NOTE 6 - RECEIVABLES

Receivables at December 31, 2023 consisted of taxes, interest, accounts receivable, and intergovernmental receivables arising from shared revenues.

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 7 - LAND HELD FOR RESALE

In December 1999, the City purchased 43.1 acres of land with the intent of resale as part of the City's economic development strategy. Additional land was purchased during 2001 for the same purpose. This land is instrumental in the development of commercial or industrial facilities to create and preserve jobs. At December 31, 2023 the City's Land Held for Resale balance was \$785,000.

NOTE 8 – INTERFUND ACTIVITY

A. Transfers

Following is a summary of transfers in and out for all funds for 2023:

Fund	Transfer In	Transfer Out
Governmental Funds		
General Fund	\$797,697	\$435,000
Other Governmental Funds	435,000	0
Total Governmental Funds	1,232,697	435,000
Enterprise Funds		
Water Fund	0	25,000
Sewer Fund	0	25,000
Electric Fund	0	747,697
Total Enterprise Funds	0	797,697
Totals	<u>\$1,232,697</u>	<u>\$1,232,697</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization. The City's transfers out were made in accordance to City ordinances as required by Ohio Revised Code.

The City's Electric Fund collects a State levied Kilowatt Hour Tax that is distributed to the State of Ohio and to the City. In 2023 the portion due to the City was \$697,697, which was transferred to the General Fund as required by Ohio Revised Code.

B. Interfund Balances

Individual interfund balances at December 31, 2023 are as follows:

Fund	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$87,250	\$0
Other Governmental Funds	0	87,250
Totals	<u>\$87,250</u>	<u>\$87,250</u>

Interfund balances at December 31, 2023, consisted of general fund advances to nonmajor special revenue funds due to deficit cash balances and the timing of reimbursement of expenditures.

CITY OF PAINESVILLE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2023**

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2023:

Historical Cost:

Class	December 31, 2022	Additions	Deletions	December 31, 2023
<i>Capital assets not being depreciated:</i>				
Land	\$13,136,789	\$153,498	\$0	\$13,290,287
Construction in Progress	3,730,129	284,697	0	4,014,826
Subtotal	16,866,918	438,195	0	17,305,113
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	8,118,579	68,160	0	8,186,739
Improvements other than Buildings	3,573,440	0	0	3,573,440
Machinery and Equipment	12,209,957	956,097	0	13,166,054
Infrastructure	50,704,193	974,464	0	51,678,657
Subtotal	74,606,169	1,998,721	0	76,604,890
Total Cost	<u>\$91,473,087</u>	<u>\$2,436,916</u>	<u>\$0</u>	<u>\$93,910,003</u>

Accumulated Depreciation:

Class	December 31, 2022	Additions	Deletions	December 31, 2023
Buildings and Improvements	(\$3,068,036)	(\$86,760)	\$0	(\$3,154,796)
Improvements other than Buildings	(900,030)	(37,694)	0	(937,724)
Machinery and Equipment	(7,868,272)	(916,637)	0	(8,784,909)
Infrastructure	(24,934,618)	(1,306,421)	0	(26,241,039)
Total Depreciation	<u>(\$36,770,956)</u>	<u>(\$2,347,512)</u> *	<u>\$0</u>	<u>(\$39,118,468)</u>
<i>Net Value:</i>	<u>\$54,702,131</u>			<u>\$54,791,535</u>

*Depreciation was charged to governmental functions as follows:

General Government	\$230,585
Public Safety	447,660
Highways and Streets	1,524,445
Public Health and Welfare	53,696
Culture and Recreation	91,126
Total Depreciation Expense	<u>\$2,347,512</u>

CITY OF PAINESVILLE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2023**

NOTE 9 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by category of changes in business-type activities capital assets at December 31, 2023:

Historical Cost:

Class	December 31, 2022	Additions	Deletions	December 31, 2023
<i>Capital assets not being depreciated:</i>				
Land	\$2,010,667	\$2,342,913	\$0	\$4,353,580
Construction In Progress	13,758,674	263,320	0	14,021,994
Subtotal	15,769,341	2,606,233	0	18,375,574
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	32,013,107	24,143	0	32,037,250
Infrastructure	83,145,794	3,089,263	0	86,235,057
Machinery and Equipment	40,710,918	938,940	0	41,649,858
Subtotal	155,869,819	4,052,346	0	159,922,165
Total Cost	<u>\$171,639,160</u>	<u>\$6,658,579</u>	<u>\$0</u>	<u>\$178,297,739</u>

Accumulated Depreciation:

Class	December 31, 2022	Additions	Deletions	December 31, 2023
Buildings and Improvements	(\$23,213,120)	(\$472,692)	\$0	(\$23,685,812)
Infrastructure	(34,833,266)	(1,969,006)	0	(36,802,272)
Machinery and Equipment	(29,010,352)	(1,617,616)	0	(30,627,968)
Total Depreciation	<u>(\$87,056,738)</u>	<u>(\$4,059,314)</u>	<u>\$0</u>	<u>(\$91,116,052)</u>
<i>Net Value:</i>	<u><u>\$84,582,422</u></u>			<u><u>\$87,181,687</u></u>

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Group A	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	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

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

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

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

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

	<u>State and Local</u>
2023 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2023 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
	<hr/>
Total Employer	<hr/> 14.0 %
Employee	<hr/> 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,511,488 for 2023.

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CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

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

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

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

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	<u>Police</u>	<u>Firefighters</u>
2023 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25
2023 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$1,275,577 for 2023.

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

The net pension liability for OPERS was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2022, and was determined by rolling forward the total pension liability as of January 1, 2022, to December 31, 2022. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability	\$19,730,381	\$21,821,951	\$41,552,332
Proportion of the Net Pension Liability-2023	0.066792%	0.229728%	
Proportion of the Net Pension Liability-2022	0.069398%	0.225261%	
Percentage Change	<u>(0.002606%)</u>	<u>0.004467%</u>	
Pension Expense	\$2,567,030	\$3,014,872	\$5,581,902

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Changes in assumptions	\$208,437	\$1,968,267	\$2,176,704
Differences between expected and actual experience	655,360	327,325	982,685
Net difference between projected and actual earnings on pension plan investments	5,623,780	3,177,008	8,800,788
Change in proportionate share	0	494,543	494,543
City contributions subsequent to the measurement date	1,511,488	1,275,577	2,787,065
Total Deferred Outflows of Resources	<u>\$7,999,065</u>	<u>\$7,242,720</u>	<u>\$15,241,785</u>
Deferred Inflows of Resources			
Changes in assumptions	\$0	\$425,521	\$425,521
Differences between expected and actual experience	0	497,164	497,164
Change in proportionate share	309,236	86,591	395,827
Total Deferred Inflows of Resources	<u>\$309,236</u>	<u>\$1,009,276</u>	<u>\$1,318,512</u>

\$2,787,065 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2024	\$530,786	\$585,989	\$1,116,775
2025	1,237,286	1,227,813	2,465,099
2026	1,655,351	1,304,050	2,959,401
2027	2,754,918	1,845,709	4,600,627
2028	0	(5,694)	(5,694)
Total	<u>\$6,178,341</u>	<u>\$4,957,867</u>	<u>\$11,136,208</u>

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.

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

The total pension liability in the December 31, 2022 and December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	December 31, 2022
Wage Inflation	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2023. 2.05 percent simple, thereafter
Investment Rate of Return	6.9 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 12.1 percent for 2022.

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

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	22.00 %	2.62 %
Domestic Equities	22.00	4.60
Real Estate	13.00	3.27
Private Equity	15.00	7.53
International Equities	21.00	5.51
Risk Parity	2.00	4.37
Other Investments	5.00	3.27
Total	<u><u>100.00 %</u></u>	

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

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

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
City's proportionate share of the net pension liability	\$29,555,460	\$19,730,381	\$11,557,688

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2022 is based on the results of an actuarial valuation date of January 1, 2022, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2022, compared with January 1, 2021, are presented below.

	January 1, 2022	January 1, 2021
Valuation Date	January 1, 2022, with actuarial liabilities rolled forward to December 31, 2022	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.5 percent	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Cost of Living Adjustments	2.2 percent simple	2.2 percent simple

For the January 1, 2022 valuation, mortality for non-disabled participants is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2% for males and 98.7% for females. All rates are projected using the MP-2021 Improvement Scale.

For the January 1, 2022 valuation, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135% for males and 97.9% for females. All rates are projected using the MP-2021 Improvement Scale.

For the January 1, 2022 valuation, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9% for males and 131% for females. All rates are projected using the MP-2021 Improvement Scale.

For the January 1, 2022 valuation, mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

The most recent experience study was completed for the five year period ended December 31, 2021.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2022 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	18.60	4.80
Non-US Equity	12.40	5.50
Private Markets	10.00	7.90
Core Fixed Income *	25.00	2.50
High Yield Fixed Income	7.00	4.40
Private Credit	5.00	5.90
U.S. Inflation Linked Bonds*	15.00	2.00
Midstream Energy Infrastructure	5.00	5.90
Real Assets	8.00	5.90
Gold	5.00	3.60
Private Real Estate	12.00	5.30
Commodities	2.00	3.60
Total	<u><u>125.00 %</u></u>	

* levered 2.5x

Note: Assumptions are geometric

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

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate For 2022, the total pension liability was calculated using the discount rate of 7.50 percent. The discount rate used for 2021 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 7.50 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	Current		
	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$28,787,365	\$21,821,951	\$16,031,604

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CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 11 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability (Asset)

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

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

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. These changes are reflected in the December 31, 2020, measurement date health care valuation.

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have 20 or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2023. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2023 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2023.

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75. OP&F maintains funds for health care in two separate accounts: one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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

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

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

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2023, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contractually required contribution to OP&F was \$30,437 for 2023.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2022, and was determined by rolling forward the total OPEB liability as of January 1, 2022, to December 31, 2022. 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 and OPEB expense:

	OPERS	OP&F	Total
Proportionate Share of the Net OPEB Liability	\$417,111	\$1,635,605	\$2,052,716
Proportion of the Net OPEB Liability-2023	0.066153%	0.229728%	
Proportion of the Net OPEB Liability-2022	0.069182%	0.225261%	
Percentage Change	(0.003029%)	0.004467%	
OPEB Expense	(\$815,787)	\$194,055	(\$621,732)

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes in assumptions	\$407,399	\$815,096	\$1,222,495
Differences between expected and actual experience	0	97,603	97,603
Net difference between projected and actual earnings on OPEB plan investments	828,389	140,287	968,676
Change in proportionate share	0	86,900	86,900
City contributions subsequent to the measurement date	0	30,437	30,437
Total Deferred Outflows of Resources	<u>\$1,235,788</u>	<u>\$1,170,323</u>	<u>\$2,406,111</u>
Deferred Inflows of Resources			
Changes in assumptions	\$33,524	\$1,337,792	\$1,371,316
Differences between expected and actual experience	104,045	322,509	426,554
Change in proportionate share	0	46,093	46,093
Total Deferred Inflows of Resources	<u>\$137,569</u>	<u>\$1,706,394</u>	<u>\$1,843,963</u>

\$30,437 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 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31:</u>	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2024	\$136,769	(\$8,911)	\$127,858
2025	302,952	7,646	310,598
2026	258,319	(65,439)	192,880
2027	400,179	(36,194)	363,985
2028	0	(135,740)	(135,740)
2029	0	(150,689)	(150,689)
2030	0	(170,356)	(170,356)
2031	0	(6,825)	(6,825)
Total	<u>\$1,098,219</u>	<u>(\$566,508)</u>	<u>\$531,711</u>

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	2.75 percent
Projected Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	5.22 percent
Prior measurement date	6.00 percent
Investment Rate of Return:	
Current measurement date	6.00 percent
Prior measurement date	6.00 percent
Municipal Bond Rate:	
Current measurement date	4.05 percent
Prior measurement date	1.84 percent
Health Care Cost Trend Rate:	
Current measurement date	5.5 percent initial, 3.5 percent ultimate in 2036
Prior measurement date	5.5 percent initial, 3.5 percent ultimate in 2034
Actuarial Cost Method	Individual Entry Age Normal

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

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

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 15.6 percent for 2022.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by OPERS investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average
		Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.56 %
Domestic Equities	26.00	4.60
Real Estate Investment Trust	7.00	4.70
International Equities	25.00	5.51
Risk Parity	2.00	4.37
Other investments	6.00	1.84
Total	100.00 %	

Discount Rate A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022. A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 4.05 percent (Fidelity Index's "20-Year Municipal GO AA Index").

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2054. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2054, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 5.22 percent, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (4.22 percent) or one-percentage-point higher (6.22 percent) than the current rate:

	1% Decrease (4.22%)	Current Discount Rate (5.22%)	1% Increase (6.22%)
City's proportionate share of the net OPEB liability (asset)	\$1,419,643	\$417,111	(\$410,149)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Assumption	1% Increase
City's proportionate share of the net OPEB liability (asset)	\$390,964	\$417,111	\$446,533

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2022, is based on the results of an actuarial valuation date of January 1, 2022, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Valuation Date	January 1, 2022, with actuarial liabilities rolled forward to December 31, 2022	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.5 percent	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 3.25 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Single discount rate	4.27 percent	2.84 percent
Cost of Living Adjustments	2.2 percent simple	2.2 percent simple
Municipal Bond Rate	3.65 percent	2.05 percent

For the January 1, 2022 valuation, mortality for non-disabled participants is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2% for males and 98.7% for females. All rates are projected using the MP-2021 Improvement Scale.

For the January 1, 2022 valuation, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135% for males and 97.9% for females. All rates are projected using the MP-2021 Improvement Scale.

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

For the January 1, 2022 valuation, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9% for males and 131% for females. All rates are projected using the MP-2021 Improvement Scale.

For the January 1, 2022 valuation, mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

The most recent experience study was completed for the five year period ended December 31, 2021.

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2022 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	18.60	4.80
Non-US Equity	12.40	5.50
Private Markets	10.00	7.90
Core Fixed Income *	25.00	2.50
High Yield Fixed Income	7.00	4.40
Private Credit	5.00	5.90
U.S. Inflation Linked Bonds*	15.00	2.00
Midstream Energy Infrastructure	5.00	5.90
Real Assets	8.00	5.90
Gold	5.00	3.60
Private Real Estate	12.00	5.30
Commodities	2.00	3.60
Total	<u><u>125.00 %</u></u>	

* levered 2.5x

Note: Assumptions are geometric

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

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 2022, the total OPEB liability was calculated using the discount rate of 4.27 percent. For 2021, the total OPEB liability was calculated using the discount rate of 2.84 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 7.50 percent for 2022, and 7.50 percent for 2021. 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 3.65 percent at December 31, 2022 and 2.05 percent at December 31, 2021, was blended with the long-term rate of 7.50 percent, which resulted in a blended discount rate of 4.27 percent for 2022 and 2.84 percent 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 2035. The long-term expected rate of return on health care investments was applied to projected costs through 2035, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.27 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.27 percent), or one percentage point higher (5.27 percent) than the current rate.

	1% Decrease (3.27%)	Current Discount Rate (4.27%)	1% Increase (5.27%)
City's proportionate share of the net OPEB liability	\$2,014,086	\$1,635,605	\$1,316,058

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.

CITY OF PAINESVILLE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2023**

NOTE 12 – DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt of the City at December 31, 2023 is as follows:

		Balance December 31, 2022	Issued	(Retired)	Balance December 31, 2023	Amount Due Within One Year
Governmental Activities Debt:						
General Obligation Bonds:						
4.250 - 5.000% Various Purpose	2007	\$330,000	\$0	(\$65,000)	\$265,000	\$70,000
2.850% Shamrock Blvd Improvement	2013	1,135,000	0	(100,000)	1,035,000	103,000
2.0 - 3.000% Shamrock Blvd Improvement TIF	2012	3,670,000	0	(255,000)	3,415,000	260,000
Premium on Debt Issuance		78,284	0	(7,828)	70,456	0
Total General Obligation Bonds		5,213,284	0	(427,828)	4,785,456	433,000
Special Assessment Debt (with governmental commitment)						
4.75% Renaissance Parkway	2005	90,000	0	(30,000)	60,000	30,000
Ohio Public Works Commission Loans (OPWC):						
0.000% Chester Street Improvements	2008	26,896	0	(4,890)	22,006	4,890
0.000% Brookstone Blvd Improvements	2013	942,940	0	(48,356)	894,584	48,356
Total OPWC Loans		969,836	0	(53,246)	916,590	53,246
Long-Term Notes Payable:						
2.40% Fire Truck	2020	643,715	0	(63,857)	579,858	52,714
2.19% Salt Dome	2021	135,726	0	(37,729)	97,997	38,560
Total Long-Term Notes Payable		779,441	0	(101,586)	677,855	91,274
Governmental Activities Other Long-Term Obligations:						
Compensated Absences		1,482,650	541,082	(468,927)	1,554,805	415,506
Workers' Compensation Liability		285,211	360,100	(285,211)	360,100	174,739
Police/Firemen's Pension Accrued Liability		469,330	0	(29,284)	440,046	30,542
Total Governmental Activities		\$9,289,752	\$901,182	(\$1,396,082)	\$8,794,852	\$1,228,307

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CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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

Long-term debt of the City at December 31, 2023 is as follows:

		Balance December 31, 2022	Issued	(Retired)	Balance December 31, 2023	Amount Due Within One Year
Business-Type Activities Debt:						
General Obligation Bonds:						
3.25% Storm Water Improvements	2016	\$1,395,000	\$0	(\$90,000)	\$1,305,000	\$90,000
Notes Payable:						
5.25% Property Acquisition	2022	2,870,000	0	(2,870,000)	0	0
6.25% Property Acquisition	2023	0	3,005,000	0	3,005,000	0
Ohio Water Development Authority Loans (OWDA):						
3.420% WPCLF WWTP Upgrades	2009	1,867,055	0	(180,444)	1,686,611	186,668
0.000% Water Intake Improvements	2014	13,996,246	0	(823,309)	13,172,937	823,309
Total OWDA Loans		15,863,301	0	(1,003,753)	14,859,548	1,009,977
Ohio Public Works Commission Loans (OPWC):						
0.000% Mentor Ave / Jackson Street Sewer	2008	11,269	0	(2,048)	9,221	2,048
0.000% Pinehill Road Waterline Phase I	2020	31,258	0	(1,737)	29,521	1,737
Total OPWC Loans		42,527	0	(3,785)	38,742	3,785
Installment Loan Payable:						
4.00% Various Purpose	2007	1,274,461	0	(262,278)	1,012,183	273,812
Business-Type Activities Other Long-Term Obligations:						
AMP Joint Venture Financing Agreement		5,829	0	(5,829)	0	0
Compensated Absences		1,316,702	622,388	(474,112)	1,464,978	525,916
Total Business-Type Activities		\$22,767,820	\$3,627,388	(\$4,709,757)	\$21,685,451	\$1,903,490

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CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

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

A. Compensated Absences

City management staff and employees in each bargaining unit earn sick leave credit. Employees with at least 10 years of service are paid for one-third of their accumulated sick leave credit upon termination of employment, which may not exceed 120 days. This obligation amounted to \$1,958,680 for the City as of December 31, 2023.

In addition, management staff and personnel in each bargaining unit earn vacation at different rates based upon length of service. Vacation carried forward to the current year may not exceed one year's leave balance. In case of death, termination or retirement, an employee (or his estate) is paid for unused vacation up to a maximum of one year credit and two week accrual. The total obligation for accrued vacation for the City as a whole at December 31, 2023 amounted to \$1,061,103.

B. Police and Firemen's Pension Accrued Liability

The City's liability for past service costs related to the Police and Fire Pension Fund at December 31, 2023 was \$560,405 in principal and scheduled interest payments through the year 2035. Only the principal portion of the payments due is included in the government-wide statement of net position.

C. Special Assessments with Governmental Commitment

The principal amount of the City's special assessment debt outstanding at December 31, 2023, \$60,000, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The fund balance of \$14,657 in the Special Assessment Bond Retirement Fund at December 31, 2023 is restricted for the retirement of outstanding special assessment bonds.

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CITY OF PAINESVILLE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2023**

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

D. Principal and Interest Requirements

The principal and interest requirements to retire long-term debt at December 31, 2023 are as follows:

GOVERNMENTAL ACTIVITIES

Years	General Obligation Bonds		Special Assessment Bonds		Police/Firemen's Pension Accrued Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$433,000	\$42,748	\$30,000	\$3,000	\$30,542	\$18,381
2025	445,000	36,312	30,000	1,500	31,853	17,069
2026	443,000	29,820	0	0	33,222	15,701
2027	462,000	23,742	0	0	34,648	14,274
2028	405,000	17,300	0	0	36,137	12,786
2029-2033	2,132,000	35,540	0	0	205,343	39,271
2034-2038	395,000	0	0	0	68,301	2,877
Totals	<u>\$4,715,000</u>	<u>\$185,462</u>	<u>\$60,000</u>	<u>\$4,500</u>	<u>\$440,046</u>	<u>\$120,359</u>

Long Term Notes

OPWC Loans

Years	Principal	Interest	Principal	Interest
2024	\$91,274	\$15,220	\$53,246	\$0
2025	92,123	13,106	53,246	0
2026	72,743	10,973	53,246	0
2027	52,714	9,489	53,246	0
2028	52,714	8,223	50,800	0
2029-2033	263,570	22,140	241,780	0
2034-2038	52,717	633	241,780	0
2039-2042	0	0	169,246	0
Totals	<u>\$677,855</u>	<u>\$79,784</u>	<u>\$916,590</u>	<u>\$0</u>

CITY OF PAINESVILLE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2023**

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

D. Principal and Interest Requirements (Continued)

BUSINESS-TYPE ACTIVITIES					
Years	General Obligation Bonds		OWDA Loans		
	Principal	Interest	Principal	Interest	
2024	\$90,000	\$42,412	\$1,009,977	\$49,210	
2025	95,000	39,488	1,016,416	43,562	
2026	95,000	36,400	1,023,076	37,720	
2027	100,000	33,312	1,029,967	31,675	
2028	105,000	30,062	1,037,095	25,422	
2029-2033	565,000	97,664	4,803,169	36,557	
2034-2038	255,000	12,514	4,116,540	0	
2039-2042	0	0	823,308	0	
Totals	<u>\$1,305,000</u>	<u>\$291,852</u>	<u>\$14,859,548</u>	<u>\$224,146</u>	
Installment Loans					
Years	Installment Loans		OPWC Loans		
	Principal	Interest	Principal	Interest	
2024	\$273,812	\$41,084	\$3,785	\$0	
2025	285,852	29,043	3,785	0	
2026	298,422	16,474	3,785	0	
2027	154,097	3,351	3,785	0	
2028	0	0	2,761	0	
2029-2033	0	0	8,685	0	
2034-2038	0	0	8,684	0	
2039-2042	0	0	3,472	0	
Totals	<u>\$1,012,183</u>	<u>\$89,952</u>	<u>\$38,742</u>	<u>\$0</u>	

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 13 - RISK MANAGEMENT

The City purchases insurance policies in varying amounts providing coverage for general liability, vehicle liability, property damage, employee and public officials liability, professional liability and errors and omissions liability. The City also pays unemployment claims to the State of Ohio as incurred.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During 2023 the City contracted with several different insurance providers for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
U.S. Specialty Insurance Company	Public Employee Dishonesty/ Forgery	\$5,000
U.S. Specialty Insurance Company	Law Enforcement Professional Liability	\$25,000
U.S. Specialty Insurance Company	Public Officials Liability	\$25,000
U.S. Specialty Insurance Company	Comprehensive General Liability	\$5,000
U.S. Specialty Insurance Company	Ohio Employers Intentional Tort Liability	\$5,000
U.S. Specialty Insurance Company	Commercial Umbrella Liability	\$0
U.S. Specialty Insurance Company	Boiler and Machinery	\$10,000*
U.S. Specialty Insurance Company	Automobile Liability	\$0
U.S. Specialty Insurance Company	Employee Benefits Liability	\$1,000

*All "Covered Equipment" at 325 Richmond Street \$500,000 deductible.

\$10/HP subject to a \$25,000 minimum on all Internal Combustion Engines and their driven objects located at all Covered Premises except at 325 Richmond Street, with a deductible of \$25,000.

In 1993, the Workers' Compensation Retrospective Rating Fund was established to account for the funding of the City's workers' compensation plan. Under the plan, the City is charged by the State of Ohio for administrative fees, claims paid and premiums for individual and aggregate claim limits. All City funds are charged a premium per employee covered by the Workers' Compensation Retrospective Rating Fund based on claims experience. The City has a claims limit of \$300,000 per individual and a maximum yearly amount for all claims which varies each policy year. The claims liability of \$360,100 reported in the fund at December 31, 2023 is based on the requirements of GASB Statement No. 30, which requires that a liability for 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. Changes in the fund's claims liability amount for the past two years are as follows:

Fiscal Year	Beginning of Year Liability	Current Year		
		Claims and Changes in Estimates	Claims Payments	End of Year Liability
2022	\$1,105,196	(\$207,363)	(\$612,622)	\$285,211
2023	285,211	258,375	(183,486)	360,100

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 13 - RISK MANAGEMENT (Continued)

In 2000, the Employee Health Insurance Fund was created to account for the City's self-funded employee health insurance. Under this program, the City operates with a third party administrator and under stop-loss thresholds. The actual claims are passed through the City for payment. There is protection as to the amount of claims that can be passed through to the City—both specific and aggregate stop-loss protection. Under specific stop-loss, the City pays 100% for any one individual generating claims up to the specific level of \$75,000. Any dollar amount over this specific level is paid by the re-insurance carrier. The aggregate stop-loss protects the City from having a large number of claims exceeding the expected claims level by more than 20% or 25%. Any claims over the specific level do not count toward the aggregate level. Only claims less than the specific level are applied toward the aggregate level. The claims liability of \$322,788 reported in the fund at December 31, 2023 is based on the requirements of GASB Statement No. 30, which requires that a liability for 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. Changes in the fund's claims liability amount for the past two years are as follows:

Fiscal Year	Beginning of Year Liability	Current Year			End of Year Liability
		Claims and Changes in Estimates	Claims Payments		
2022	\$364,097	4,163,627	(4,214,184)		\$313,540
2023	313,540	4,600,358	(4,591,110)		322,788

NOTE 14 - JOINT VENTURE

The City of Painesville is a Financing Participant and a Purchaser Participant with percentages of liability and ownership of 6.66% and 5.22% respectively and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the Agreement.

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 14 - JOINT VENTURE (Continued)

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. No bonds are currently outstanding.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. The outstanding debt was paid off in 2017. The City's net investment and its share of operating results of OMEGA JV2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV2 was \$0 at December 31, 2023. During 2023 OMEGA JV2 retired an outstanding line of credit payable. The City's electric fund reported an AMP Joint Venture Financing Agreement liability for its share of the OMEGA JV2 line of credit balance. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

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CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 15 – SIGNIFICANT COMMITMENTS

As of December 31, 2023, the City had the following contracts with respect to capital improvements:

Project	Remaining Construction Commitment	Expected Date of Completion
Building Improvements - Concord Road Equipment Property	\$279,638	2024
Chester Street Paving	565,051	2024
Chester Street Waterline Replacement	1,101,020	2024
Police Cameras	191,500	2024
Concord Road Equipment	2,342,912	2024
Property Purchase	101,450	2024
Route 86 Booster Station	115,634	2024
State Route 2 Bridge Improvements	213,893	2024
State Route 20 Widening	692,743	2024
Traffic Signal Upgrade	254,730	2024
Victoria Place Streetscape Improvements	203,796	2024
	<hr/> <u>\$6,062,367</u>	

At December 31, 2023 the City had encumbrance commitments in the Governmental Funds as follows:

Fund	Encumbrances
General Fund	\$558,566
Other Governmental Funds	2,074,017
Total Governmental Funds	<hr/> <u>\$2,632,583</u>

NOTE 16 - COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equities - The fund deficits at December 31, 2023 of \$36,185 in the COPS Fast Grant Fund, \$11,750 in the Brownfield Grant Fund, \$3,789 in the Law Enforcement Grant Fund (non-major governmental funds), and \$206,321 in the Workers' Compensation Retrospective Fund (internal service fund) arose from the recognition of expenditures/expenses on the modified accrual/accrual basis that are greater than expenditures/expenses recognized on the budgetary/cash basis. Deficits do not exist under the budgetary/cash basis of accounting. Transfers are provided when cash is required, not when accruals occur.

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 17 - CONTINGENCIES

A. Federal and State Grants

For the period January 1, 2023 to December 31, 2023, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

B. Litigation

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

C. Asset Retirement Obligations

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

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

CITY OF PAINESVILLE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2023

NOTE 18 – PURCHASE COMMITMENT

American Municipal Power Generating Station Project (AMPGS)

The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project was intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's project share was 13,000 kilowatts (kW) of a total 771,281 kW, giving the City a 1.69 percent project share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed *impaired* and participants were obligated to pay those incurred costs. In prior years, payment of these costs was not required due to AMP's pursuit of legal action to collect them from Bechtel. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The City's estimated share of the impaired costs at March 31, 2014 was \$2,240,514. The City received a credit of \$587,923 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU). The City also made payments totaling \$2,194,829 leaving an estimated net credit balance of \$542,238. The City has opted to leave the credit balance with AMP to offset any additional AMPGS Project costs in the future. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the City's credit balance. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Since March 31, 2014, the City's allocation of additional costs incurred by the project is \$28,178 and interest on the credit balance credited to the City has been \$126,638, resulting in a net credit balance at December 31, 2023 of \$640,698. The City does have a potential PHFU Liability of \$721,195 resulting in a net total potential liability of \$80,497, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the City's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include such negative items as property taxes as well as positive items such as revenue from leases or sale of all or a portion of the Meigs County site property.

CITY OF PAINESVILLE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2023***

NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLE

For 2023 the City implemented Governmental Accounting Standards Board (GASB) Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements,” and Statement No. 96, “Subscription-Based Information Technology Arrangements.”

GASB Statement No. 94 clarifies accounting and financial reporting requirements for public-private and public-public partnership arrangements and availability payment arrangements.

GASB Statement No. 96 provides guidance on accounting and financial reporting for subscription-based information technology arrangements for government end users.

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

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CITY OF PAINESVILLE, OHIO



***R**EQUIRED **S**UPPLEMENTARY **I**NFORMATION*

CITY OF PAINESVILLE, OHIO

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

Ohio Public Employees Retirement System

Year	2014	2015	2016	2017
City's proportion of the net pension liability (asset)	0.078758%	0.078758%	0.080463%	0.078734%
City's proportionate share of the net pension liability (asset)	\$9,284,542	\$9,499,093	\$13,937,207	\$17,879,092
City's covered payroll	\$9,660,792	\$9,655,333	\$10,005,075	\$10,183,850
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	96.11%	98.38%	139.30%	175.56%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%	77.25%

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

Ohio Police and Fire Pension Fund

Year	2014	2015	2016	2017
City's proportion of the net pension liability (asset)	0.218634%	0.218634%	0.221177%	0.219641%
City's proportionate share of the net pension liability (asset)	\$10,648,162	\$11,326,153	\$14,228,449	\$13,911,813
City's covered payroll	\$4,943,828	\$4,373,483	\$4,529,777	\$4,771,700
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	215.38%	258.97%	314.11%	291.55%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%	68.36%

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

Notes: The City implemented GASB Statement 68 in 2015.

The schedule is reported as of the measurement date of the Net Pension Liability, which is the prior year end.

See notes to the required supplementary information

CITY OF PAINESVILLE, OHIO

2018	2019	2020	2021	2022	2023
0.073358%	0.073885%	0.073060%	0.070610%	0.069398%	0.066792%
\$11,508,461	\$20,235,603	\$14,440,805	\$10,455,803	\$6,037,904	\$19,730,381
\$9,690,523	\$9,979,221	\$10,283,014	\$9,944,843	\$10,062,864	\$11,188,721
118.76%	202.78%	140.43%	105.14%	60.00%	176.34%
84.66%	74.70%	82.17%	86.88%	92.62%	75.74%
2018	2019	2020	2021	2022	2023
0.215503%	0.221773%	0.216884%	0.225034%	0.225261%	0.229728%
\$13,226,399	\$18,102,535	\$14,610,458	\$15,340,755	\$14,073,002	\$21,821,951
\$4,763,981	\$5,068,494	\$5,209,283	\$5,549,138	\$5,714,467	\$6,798,155
277.63%	357.16%	280.47%	276.45%	246.27%	321.00%
70.91%	63.07%	69.89%	70.65%	75.03%	62.90%

CITY OF PAINESVILLE, OHIO

Schedule of City Pension Contributions Last Ten Years

Ohio Public Employees Retirement System

Year	2014	2015	2016	2017
Contractually required contribution	\$1,158,640	\$1,200,609	\$1,222,062	\$1,259,768
Contributions in relation to the contractually required contribution	<u>1,158,640</u>	<u>1,200,609</u>	<u>1,222,062</u>	<u>1,259,768</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$9,655,333	\$10,005,075	\$10,183,850	\$9,690,523
Contributions as a percentage of covered payroll	12.00%	12.00%	12.00%	13.00%

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

Ohio Police and Fire Pension Fund

Year	2014	2015	2016	2017
Contractually required contribution	\$914,762	\$948,955	\$999,545	\$997,803
Contributions in relation to the contractually required contribution	<u>914,762</u>	<u>948,955</u>	<u>999,545</u>	<u>997,803</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$4,373,483	\$4,529,777	\$4,771,700	\$4,763,981
Contributions as a percentage of covered payroll	20.92%	20.95%	20.95%	20.94%

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

Notes: The City implemented GASB Statement 68 in 2015.

See notes to the required supplementary information

CITY OF PAINESVILLE, OHIO

2018	2019	2020	2021	2022	2023
\$1,397,091	\$1,439,622	\$1,392,278	\$1,408,801	\$1,566,421	\$1,511,488
<u>1,397,091</u>	<u>1,439,622</u>	<u>1,392,278</u>	<u>1,408,801</u>	<u>1,566,421</u>	<u>1,511,488</u>
<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
\$9,979,221	\$10,283,014	\$9,944,843	\$10,062,864	\$11,188,721	\$10,796,343
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

2018	2019	2020	2021	2022	2023
\$1,061,198	\$1,089,427	\$1,166,277	\$1,199,416	\$1,426,802	\$1,275,577
<u>1,061,198</u>	<u>1,089,427</u>	<u>1,166,277</u>	<u>1,199,416</u>	<u>1,426,802</u>	<u>1,275,577</u>
<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
\$5,068,494	\$5,209,283	\$5,549,138	\$5,714,467	\$6,798,155	\$6,087,445
20.94%	20.91%	21.02%	20.99%	20.99%	20.95%

CITY OF PAINESVILLE, OHIO

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

Ohio Public Employees Retirement System

Year	2017	2018	2019
City's proportion of the net OPEB liability (asset)	0.077866%	0.072573%	0.072609%
City's proportionate share of the net OPEB liability (asset)	\$7,864,742	\$7,880,880	\$9,466,501
City's covered payroll	\$10,183,850	\$9,690,523	\$9,979,221
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	77.23%	81.33%	94.86%
Plan fiduciary net position as a percentage of the total OPEB liability	54.50%	54.14%	46.33%

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

Ohio Police and Fire Pension Fund

Year	2017	2018	2019
City's proportion of the net OPEB liability (asset)	0.219641%	0.215503%	0.221773%
City's proportionate share of the net OPEB liability (asset)	\$10,425,845	\$12,210,107	\$2,019,582
City's covered payroll	\$4,771,700	\$4,763,981	\$5,068,494
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	218.49%	256.30%	39.85%
Plan fiduciary net position as a percentage of the total OPEB liability	15.96%	14.13%	46.57%

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

Notes: The City implemented GASB Statement 75 in 2018.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2017 is not available.

The schedule is reported as of the measurement date of the Net OPEB Liability, which is the prior year end.

See notes to the required supplementary information

CITY OF PAINESVILLE, OHIO

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
0.071972%	0.070056%	0.069182%	0.066153%
\$9,941,205	(\$1,248,101)	(\$2,166,882)	\$417,111
\$10,283,014	\$9,944,843	\$10,062,864	\$11,188,721
96.68%	(12.55%)	(21.53%)	3.73%
47.80%	115.57%	128.23%	94.79%
<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
0.216884%	0.225034%	0.225261%	0.229728%
\$2,142,318	\$2,384,266	\$2,469,061	\$1,635,605
\$5,209,283	\$5,549,138	\$5,714,467	\$6,798,155
41.13%	42.97%	43.21%	24.06%
47.08%	45.42%	46.86%	52.59%

CITY OF PAINESVILLE, OHIO

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

Ohio Public Employees Retirement System

Year	2014	2015	2016	2017
Contractually required contribution	\$193,107	\$200,102	\$203,677	\$96,905
Contributions in relation to the contractually required contribution	<u>193,107</u>	<u>200,102</u>	<u>203,677</u>	<u>96,905</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$9,655,333	\$10,005,075	\$10,183,850	\$9,690,523
Contributions as a percentage of covered payroll	2.00%	2.00%	2.00%	1.00%

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

Ohio Police and Fire Pension Fund

Year	2014	2015	2016	2017
Contractually required contribution	\$21,867	\$22,649	\$23,859	\$23,820
Contributions in relation to the contractually required contribution	<u>21,867</u>	<u>22,649</u>	<u>23,859</u>	<u>23,820</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$4,373,483	\$4,529,777	\$4,771,700	\$4,763,981
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

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

Notes: The City implemented GASB Statement 75 in 2018.

See notes to the required supplementary information

CITY OF PAINESVILLE, OHIO

2018	2019	2020	2021	2022	2023
\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$9,979,221	\$10,283,014	\$9,944,843	\$10,062,864	\$11,188,721	\$10,796,343
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

2018	2019	2020	2021	2022	2023
\$25,342	\$26,047	\$27,746	\$28,572	\$33,991	\$30,437
25,342	26,047	27,746	28,572	33,991	30,437
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,068,494	\$5,209,283	\$5,549,138	\$5,714,467	\$6,798,155	\$6,087,445
0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

CITY OF PAINESVILLE, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2023

NET PENSION LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2023.

Changes in assumptions:

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

2017: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%
- Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table.

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

2019: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

2020: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Change in COLA from 3.00% to 1.4% for post 1/7/13 retirees.

2021: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Change in COLA from 1.4% to 0.5% for post 1/7/13 retirees.

2022: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Change in COLA from 0.5% to 3.00% for post 1/7/13 retirees.
- Reduction in actuarial assumed rate of return from 7.20% to 6.90%.
- Pre-retirement mortality rates are based on Pub-2010 General Employee/Safety Employee mortality tables.
- Post-retirement mortality rates are based on PubG-2010 Retiree mortality tables.
- Post-retirement mortality rates for disabled retirees are based on PubNS-2010 Disabled Retiree mortality tables for all divisions.

2023: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

CITY OF PAINESVILLE, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2023

NET PENSION LIABILITY (Continued)

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2023.

Changes in assumptions:

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

2018: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%
- For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006
- For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006

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

2022: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%

2023: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Mortality for non-disabled participants is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table
- Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table
- Mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table
- Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table

CITY OF PAINESVILLE, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2023

NET OPEB LIABILITY (ASSET)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the periods 2018-2021, and 2023.

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

Changes in assumptions:

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

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.85% to 3.96%.
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%
- Change in health care cost trend rate from 7.5% to 10%
- The Municipal Bond Rate changed from 3.31% to 3.71%

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.96% to 3.16%.
- Change in health care cost trend rate from 10.0% to 10.5%
- The Municipal Bond Rate changed from 3.71% to 2.75%

2021: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.16% to 6.00%.
- Change in health care cost trend rate from 10.5% to 8.5%
- The Municipal Bond Rate changed from 2.75% to 2.00%

2022: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- Change in health care cost trend rate from 8.5% to 5.5%
- The Municipal Bond Rate changed from 2.00% to 1.84%
- Pre-retirement mortality rates are based on Pub-2010 General Employee/Safety Employee mortality tables.
- Post-retirement mortality rates are based on PubG-2010 Retiree mortality tables.
- Post-retirement mortality rates for disabled retirees are based on PubNS-2010 Disabled Retiree mortality tables for all divisions.

CITY OF PAINESVILLE, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2023

NET OPEB LIABILITY (ASSET) (Continued)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (Continued)

2023: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The Municipal Bond Rate changed from 1.84% to 4.05%
- The single discount rate changed from 6.00% to 5.22%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms:

2018: There were no changes in benefit terms.

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

2020 - 2023: There were no changes in benefit terms.

Changes in assumptions:

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

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.24% to 4.66%.

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 4.66% to 3.56%.

2021: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.56% to 2.96%.
- The payroll growth rate changed from 2.75% to 3.25%.

2022: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 2.96% to 2.84%.
- The investment rate of return changed from 8.0% to 7.5%.

CITY OF PAINESVILLE, OHIO

***Notes to the Required Supplementary Information
For the Year Ended December 31, 2023***

NET OPEB LIABILITY (ASSET) (Continued)

OHIO POLICE AND FIRE (OP&F) PENSION FUND (Continued)

2023: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 2.84% to 4.27%.
- Mortality for non-disabled participants is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table
- Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table
- Mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table
- Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table

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

City of Painesville
Lake County
7 Richmond Street
Painesville, Ohio 44077

To the City Council and City Manager:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Painesville, Lake County, (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 20, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2023-001 that we consider to be a significant deficiency.

City of Painesville
Lake County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio

February 20, 2025

**CITY OF PAINESVILLE
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2023**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Cash Reconciliation

FINDING NUMBER – 2023-001

SIGNIFICANT DEFICIENCY

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Finance Director is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and City Council are responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not prepared and reviewed each month of 2023. The City contracted with an independent public accountant to prepare monthly bank to book reconciliations through June 30, 2023. Bank reconciliations for January 1, 2023 through June 30, 2023 were completed by the independent public accountant in 2024 when the City's new management contracted with the independent public accountant. The June 30, 2023 bank reconciliation had a book over bank variance of \$274. The Finance Director then took over monthly bank to book reconciliations from July 1, 2023 through December 31, 2023. The December 31, 2023 bank to book reconciliation had a book over bank difference of \$145.

Failure to reconcile monthly increases the possibility that the City will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

We recommend the City continue to complete a monthly City-wide cash reconciliation which compares reconciled bank and investment balances to the City's book balances. Variances should be investigated, documented and corrected. Also, after the completion of the bank to book reconciliation by the Finance Director, a review should be performed by the City Council. This should include reviewing support for reconciling items.

Officials' Response: The City undertook the implementation of a new financial system in 2022, which has since incurred a number of software issues that has needed significant technical expertise and time to resolve. Further, in mid-2023, the City brought its utility billing processing into the overall software package, which in it of itself needed significant remediation from the software provider over a lengthy period of time. Due to the time commitment and resources needed to resolve the many software issues, the City engaged a CPA firm to assist it with its bank reconciliations for 2023. Since then, the City has begun reconciling its books.

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**CITY OF PAINESVILLE
LAKE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2023**

Finding Number	Finding Summary	Status	Additional Information
2022-001	Cash Reconciliation	Partially Corrected	Repeated as Finding 2023-001

OHIO AUDITOR OF STATE KEITH FABER



CITY OF PAINESVILLE

LAKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/4/2025

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

This report is a matter of public record and is available online at
www.ohioauditor.gov