



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF HARRISON
HAMILTON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2021

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OHIO AUDITOR OF STATE
KEITH FABER



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Members of City Council
City of Harrison
300 George St
Harrison, OH 45030

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

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 08, 2022

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**CITY OF HARRISON
HAMILTON COUNTY, OHIO**

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INDEPENDENT AUDITOR'S REPORT

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

To the Members of City Council

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding this matter.

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 October 27, 2022, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.



BHM CPA Group, Inc.
Piketon, Ohio
October 27, 2022

CITY OF HARRISON, OHIO
Management's Discussion and Analysis
Year Ended December 31, 2021
Unaudited

The discussion and analysis of the City of Harrison, Ohio's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2021. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for the year ended December 31, 2021 include:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$35,641,997.
- The City's total net position increased during the year by \$7,137,241, or 25%.
- Unrestricted net position was in a deficit of \$2,553,500, primarily attributable to the City's recognition of its proportionate share of net pension and other postemployment benefit (OPEB) liabilities.
- The City's total expenses were \$15,331,623, a decrease of \$1,445,791.
- Program revenues of \$11,626,229 reduced the net cost of the City's functions to be financed from the City's general revenues to \$3,705,394.

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2021?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

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

CITY OF HARRISON, OHIO
Management's Discussion and Analysis
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- Governmental Activities – Most of the City's services are reported here including police and fire protection, parks and recreation, street repair and maintenance, and general government.
- Business-Type Activities – These activities include the water, sewer, storm water, sanitation and water/wastewater deposits operations where the fees charged for these services are based upon the amount of usage and the intent is to recoup operational costs through the user fees.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

CITY OF HARRISON, OHIO
Management's Discussion and Analysis
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The City as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. In the case of the City of Harrison, Ohio, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by a total \$35.6 million at December 31, 2021.

Table 1 provides a summary of the City's net position for 2021 compared to 2020:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	<i>Restated</i>		<i>Restated</i>			
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 17,041,822	\$ 13,539,712	\$ 9,270,808	\$ 7,873,721	\$ 26,312,630	\$ 21,413,433
Capital assets	23,518,786	22,609,767	37,474,808	33,296,153	60,993,594	55,905,920
Total assets	40,560,608	36,149,479	46,745,616	41,169,874	87,306,224	77,319,353
Deferred outflows of resources	3,486,420	3,964,142	607,527	789,022	4,093,947	4,753,164
Long-term liabilities:						
Net pension liability	12,663,366	12,822,849	763,153	1,009,663	13,426,519	13,832,512
Net OPEB liability	1,757,287	2,994,806	-	797,054	1,757,287	3,791,860
Other long-term liabilities	7,506,451	7,656,493	19,045,843	17,435,789	26,552,294	25,092,282
Other liabilities	1,631,736	916,329	3,657,735	2,806,213	5,289,471	3,722,542
Total liabilities	23,558,840	24,390,477	23,466,731	22,048,719	47,025,571	46,439,196
Deferred inflows of resources	8,093,698	6,800,914	638,905	327,651	8,732,603	7,128,565
Net position:						
Net investment in capital assets	16,929,621	15,697,297	17,019,102	14,206,083	33,948,723	29,903,380
Restricted	2,401,570	1,501,897	1,845,204	1,560,603	4,246,774	3,062,500
Unrestricted (deficit)	(6,936,701)	(8,276,964)	4,383,201	3,815,840	(2,553,500)	(4,461,124)
Total net position	\$ 12,394,490	\$ 8,922,230	\$ 23,247,507	\$ 19,582,526	\$ 35,641,997	\$ 28,504,756

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

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Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB liability/(asset) to equal the City's proportionate share of each plan's collective:

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

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

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

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

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability/(asset), respectively, not accounted for as deferred inflows/outflows.

CITY OF HARRISON, OHIO
Management's Discussion and Analysis
Year Ended December 31, 2021
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As displayed in Table 1, total net position of the City increased by \$7,137,241 from 2020 to 2021. Total assets increased by 12.9%, while total liabilities increased by 1.3%.

The increase in assets was primarily in cash, as the City experienced positive operating results in 2021 due to easing of pandemic-related restrictions, and in capital assets for improvements to roads, utility facilities and equipment.

The increase in liabilities was attributable to ongoing projects, such as the roadway improvements to May Drive and the water softening project, that increased both accounts payables and loans payable long-term liabilities. These increases were partially offset by a reduction in the City's net pension and net OPEB liabilities as both the Ohio Public Employees Retirement System (OPERS) and Ohio Police and Fire Pension Retirement System (OP&F) experienced positive investment returns.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 70% of total assets. Capital assets include land, construction in progress, land improvements, building and improvements, equipment, vehicles and infrastructure. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. The deficit balance reported in governmental activities is attributable to the recognition of the City's proportionate share of net pension liability and net OPEB asset and liability in accordance with GASB Statement Nos. 68 and 75. If the net pension liability and net OPEB asset and liability and related deferrals were excluded, the unrestricted net position for governmental activities would be a positive \$6,808,225. As the operation of the state-wide retirement systems are outside the control of the City and varies significantly from year to year based on the performance of investments, it's important to acknowledge the significant impact the recognition of the net pension liabilities and net OPEB asset and liability have on the City's reported net position.

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Table 2 shows the changes in the governmental and business-type net position for the year ended December 31, 2021 compared with the prior year.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program revenues:						
Charges for services	\$ 1,733,590	\$ 1,737,823	\$ 7,808,358	\$ 6,798,780	\$ 9,541,948	\$ 8,536,603
Operating grants and contributions	1,211,177	1,475,253	17,039	12,196	1,228,216	1,487,449
Capital grants and contributions	776,065	294,044	80,000	-	856,065	294,044
Total program revenues	<u>3,720,832</u>	<u>3,507,120</u>	<u>7,905,397</u>	<u>6,810,976</u>	<u>11,626,229</u>	<u>10,318,096</u>
General revenues:						
Income taxes	5,031,280	4,343,327	-	-	5,031,280	4,343,327
Property and other taxes	4,745,178	4,218,409	-	-	4,745,178	4,218,409
Grants and contributions not restricted to specific programs	845,289	493,138	-	-	845,289	493,138
Investment earnings	5,168	15,693	229	7,284	5,397	22,977
Miscellaneous	101,084	1,512,751	114,407	144,498	215,491	1,657,249
Total general revenues	<u>10,727,999</u>	<u>10,583,318</u>	<u>114,636</u>	<u>151,782</u>	<u>10,842,635</u>	<u>10,735,100</u>
Total revenues	<u>14,448,831</u>	<u>14,090,438</u>	<u>8,020,033</u>	<u>6,962,758</u>	<u>22,468,864</u>	<u>21,053,196</u>
Expenses:						
Security of persons and property	8,209,766	7,408,686	-	-	8,209,766	7,408,686
Public health services	265,474	288,958	-	-	265,474	288,958
Leisure time activities	78,177	305,727	-	-	78,177	305,727
Community and economic development	207,067	396,937	-	-	207,067	396,937
Transportation	1,106,754	1,345,769	-	-	1,106,754	1,345,769
General government	958,263	1,895,459	-	-	958,263	1,895,459
Interest on long-term debt	121,070	118,075	-	-	121,070	118,075
Water	-	-	1,323,983	1,811,333	1,323,983	1,811,333
Sewer	-	-	2,269,448	2,575,069	2,269,448	2,575,069
Storm water	-	-	54,549	48,322	54,549	48,322
Water/wastewater deposit	-	-	3,505	7,723	3,505	7,723
Sanitation	-	-	733,567	575,356	733,567	575,356
Total expenses	<u>10,946,571</u>	<u>11,759,611</u>	<u>4,385,052</u>	<u>5,017,803</u>	<u>15,331,623</u>	<u>16,777,414</u>
Excess (deficiency) before transfers	3,502,260	2,330,827	3,634,981	1,944,955	7,137,241	4,275,782
Transfers	(30,000)	112,444	30,000	(112,444)	-	-
Change in net position	3,472,260	2,443,271	3,664,981	1,832,511	7,137,241	4,275,782
Beginning net position, <i>restated</i>	8,922,230	6,478,959	19,582,526	17,750,015	28,504,756	24,228,974
Ending net position	<u>\$ 12,394,490</u>	<u>\$ 8,922,230</u>	<u>\$ 23,247,507</u>	<u>\$ 19,582,526</u>	<u>\$ 35,641,997</u>	<u>\$ 28,504,756</u>

CITY OF HARRISON, OHIO
Management's Discussion and Analysis
Year Ended December 31, 2021
Unaudited

Governmental Activities

Total governmental activities revenue increased by \$358,393, or 3%. The increase was driven by the rebounding of the local economy after the pandemic-related restrictions were eased.

Total governmental activities expenses decreased by \$813,040, or 7%. Virtually all of the City's functions, except for security of persons and property, experienced decreases primarily due to decreases in OPERS pension and OPEB expenses, due to higher investment earnings and modifications to OPEB benefits provided to current and future retirees, resulting in a significant *negative* OPEB expense. The financial performance of the state-wide retirement systems can vary significantly between years due to investment market fluctuations, changes in assumptions and differences between actuarial assumptions and actual results, all of which are beyond the control of the City's management.

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

Table 3
Governmental Activities

	Total Cost of Services 2021	Net Cost of Services 2021	Total Cost of Services 2020	Net Cost of Services 2020
Security of persons and property	\$ 8,209,766	\$ 7,088,903	\$ 7,408,686	\$ 6,346,472
Public health services	265,474	93,762	288,958	80,860
Leisure time activities	78,177	(25,377)	305,727	228,033
Community and economic development	207,067	(74,002)	396,937	(38,264)
Transportation	1,106,754	(538,212)	1,345,769	457,304
General government	958,263	559,595	1,895,459	1,060,011
Interest on long-term debt	121,070	121,070	118,075	118,075
Total cost of services	<u>\$ 10,946,571</u>	<u>\$ 7,225,739</u>	<u>\$ 11,759,611</u>	<u>\$ 8,252,491</u>

It should be noted that 34% of the cost of services for governmental activities are derived from program revenues, including charges for services and operating and capital grants. As shown by the total net costs of \$7,225,739, the majority of the City's programs are funded by general revenues. A significant portion of the total general revenues consists of income and property taxes.

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Management's Discussion and Analysis
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Business-Type Activities

The City's major business-type activities include water and sewer operations. The Water Fund operations experienced growth, with an operating income of \$1,070,285, an increase from the prior year of \$702,642. The Sewer Fund had operating income of \$3,125,793, an increase of \$935,822. These increases were due to increases in the water and sewer rates and decreases in pension and OPEB expenses, as discussed previously.

The City's Funds

Information about the City's major governmental funds begins after the Statement of Activities. These funds are reported using the modified accrual basis of accounting. Governmental funds had total revenues of \$14.3 million, expenditures of \$13.0 million, and net other financing sources of \$0.3 million. During 2021, total fund balance of the governmental funds increased by approximately \$1,541,000 to a total fund balance at year-end of \$8.8 million. While capital assets are included in the statement of net position, expenditures are recognized in the fund statements thereby reducing the amount of resources available for future spending. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City's General Fund experienced an increase in fund balance during 2021 of \$662,500. The General Fund is the primary fund that finances government services to citizens. The increase in fund balance was \$2.6 million lower from the prior year's increase of \$3.3 million. The City received federal CARES Act funding in 2020 to cover public safety costs, including police expenditures that are normally paid from the General Fund and fire and EMS expenditures that are normally paid from the Fire Improvement Fund. Without the benefit of CARES Act funding in 2021, things returned to pre-pandemic operations with the General Fund paying for police expenditures and increasing transfers to the Fire Improvement Fund to pay for fire and EMS expenditures. The City did receive \$623,059 in Federal American Rescue Plan Act funding during 2021, but was awaiting further guidance before deploying these funds.

The Street Fund experienced an increase of \$85,615 during 2021. This fund is used to account for state gasoline and motor vehicle license taxes received to improve and maintain the City's streets. During 2021, the City received additional funding from the Ohio Public Works Commission and Southwest Local School District to pay for 80% of the costs to construct a roundabout at the intersection of Dry Fork and West roads.

The Fire Improvement Fund increased by \$367,999 to eliminate the fund balance deficit and report a positive balance of \$356,556. This was primarily due to the transfer from the General Fund discussed above.

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

General Fund Budgeting Highlights

The City's budget is adopted on a fund basis. Before the budget is adopted, Council reviews the budgets of each department within the General Fund and other funds, and then adopts the budget. The legal level of budgetary control is at the object level. During 2021, the City amended its original budgetary amounts several times as certain information became known. Within each departmental budget, the Finance Director may make small line-item adjustments within the budget, as long as the total operational and maintenance amount does not exceed their budgetary allotment.

CITY OF HARRISON, OHIO
Management's Discussion and Analysis
Year Ended December 31, 2021
Unaudited

The final budget for estimated revenues remained similar with the original budget. Actual revenues came in approximately \$1.2 million higher than budgeted, as the anticipated income tax collections were above expectations.

The final budget for expenditures was slightly higher from the original budget, increasing by 6% to cover higher public safety costs. Due to the City's continuing efforts to monitor and control expenditures, actual budgetary expenditures came in approximately \$1.0 million less than the final budget for 2021.

Capital Assets

At the end of fiscal year 2021, the City had a total of \$95.1 million invested in capital assets, less accumulated depreciation of \$34.1 million, resulting in total capital assets, net of accumulated depreciation, of \$61.0 million. The City continued its efforts to upgrade its capital assets during 2021. The City completed the roundabout at Dry Fork and West roads, while construction began on May Drive. Additionally, the City continued work on a filtration system and water softening improvements for its water operations.

Table 4 shows 2021 balances compared to those of 2020:

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 3,015,891	\$ 3,015,891	\$ 485,420	\$ 485,420	\$ 3,501,311	\$ 3,501,311
Construction in progress	289,858	67,000	6,000,063	3,533,382	6,289,921	3,600,382
Buildings and improvements	1,513,409	1,576,977	5,268,716	5,460,349	6,782,125	7,037,326
Equipment	503,718	302,943	1,360,445	1,348,581	1,864,163	1,651,524
Vehicles	1,341,096	1,485,007	504,941	551,510	1,846,037	2,036,517
Infrastructure	16,854,814	16,161,949	23,855,223	21,916,911	40,710,037	38,078,860
Totals	\$ 23,518,786	\$ 22,609,767	\$ 37,474,808	\$ 33,296,153	\$ 60,993,594	\$ 55,905,920

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

CITY OF HARRISON, OHIO
Management's Discussion and Analysis
Year Ended December 31, 2021
Unaudited

Debt Administration

At December 31, 2021, the City had a total of \$25.1 million of long-term debt obligations compared with \$23.9 million reported at December 31, 2020. Table 5 shows outstanding debt obligations of the City at December 31, 2021 compared with 2020:

Table 5
Outstanding Long-term Debt Obligations at Year end

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$ 2,695,000	\$ 2,895,000	\$ 3,765,000	\$ 4,020,000	\$ 6,460,000	\$ 6,915,000
Capital Leases	991,956	1,274,474	315,225	418,828	1,307,181	1,693,302
OPWC Loans	2,766,007	2,646,184	711,575	824,914	3,477,582	3,471,098
OWDA Loans	-	-	5,807,057	2,738,537	5,807,057	2,738,537
Revenue Bonds	-	-	8,020,000	9,040,000	8,020,000	9,040,000
Total	\$ 6,452,963	\$ 6,815,658	\$ 18,618,857	\$ 17,042,279	\$ 25,071,820	\$ 23,857,937

Of the City's general obligation bonds outstanding at December 31, 2021, \$2.7 million are accounted for within the governmental activities and the remaining \$3.8 million are reported in the Sewer Fund. Revenue bonds are recorded in the Sewer Fund and are paid with charges for services of that fund.

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

During 2021, the City issued \$2.2 million in bond anticipation notes to roll over \$2.5 million in bond anticipation notes.

See Notes 12, 13 and 14 of the notes to the basic financial statements for more detailed information on the debt obligations of the City.

Contacting the City's Finance Department

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

CITY OF HARRISON, OHIO

Statement of Net Position

December 31, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 9,167,571	\$ 5,963,612	\$ 15,131,183
Cash in segregated accounts	17,350	-	17,350
Receivables:			
Property and other taxes	4,620,249	-	4,620,249
Payment in lieu of taxes	604,300	-	604,300
Income taxes	1,605,555	-	1,605,555
Accounts	44,481	1,265,512	1,309,993
Intergovernmental	699,770	-	699,770
Prepaid items	93,144	37,246	130,390
Materials and supplies inventory	9,305	57,930	67,235
Restricted cash and investments	-	1,845,204	1,845,204
Net OPEB asset	180,097	101,304	281,401
Non-depreciable capital assets	3,305,749	6,485,483	9,791,232
Depreciable capital assets, net	20,213,037	30,989,325	51,202,362
Total assets	<u>40,560,608</u>	<u>46,745,616</u>	<u>87,306,224</u>
Deferred Outflows of Resources			
Deferred loss on refunding	-	421,348	421,348
Pensions	2,174,032	129,405	2,303,437
OPEB	1,312,388	56,774	1,369,162
Total deferred outflows of resources	<u>3,486,420</u>	<u>607,527</u>	<u>4,093,947</u>
Liabilities			
Accounts payable	217,933	1,283,845	1,501,778
Retainage payable	46,350	-	46,350
Accrued salaries	594,842	99,366	694,208
Intergovernmental payable	117,889	15,038	132,927
Accrued interest payable	31,878	109,486	141,364
Notes payable	-	2,150,000	2,150,000
Unearned revenue	622,844	-	622,844
Long-term liabilities:			
Due within one year	939,161	1,873,783	2,812,944
Due more than one year:			
Net pension liability	12,663,366	763,153	13,426,519
Net OPEB liability	1,757,287	-	1,757,287
Other long-term amounts due more than one year	6,567,290	17,172,060	23,739,350
Total liabilities	<u>23,558,840</u>	<u>23,466,731</u>	<u>47,025,571</u>
Deferred Inflows of Resources			
Deferred gain on refunding	41,708	-	41,708
Property taxes and payment in lieu of taxes levied for next year	5,061,200	-	5,061,200
Pensions	1,762,031	329,378	2,091,409
OPEB	1,228,759	309,527	1,538,286
Total deferred inflows of resources	<u>8,093,698</u>	<u>638,905</u>	<u>8,732,603</u>
Net Position			
Net investment in capital assets	16,929,621	17,019,102	33,948,723
Restricted for:			
Capital projects	937,213	-	937,213
Debt service	28,840	1,845,204	1,874,044
Streets and highways	378,942	-	378,942
Recreation	743,857	-	743,857
Public safety	258,189	-	258,189
Other purposes	54,529	-	54,529
Unrestricted (deficit)	<u>(6,936,701)</u>	<u>4,383,201</u>	<u>(2,553,500)</u>
Total net position	<u>\$ 12,394,490</u>	<u>\$ 23,247,507</u>	<u>\$ 35,641,997</u>

See accompanying notes.

CITY OF HARRISON, OHIO

Statement of Activities

Year Ended December 31, 2021

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental activities:							
Security of persons and property	\$ 8,209,766	\$ 1,029,326	\$ 91,537	\$ -	\$ (7,088,903)	\$ -	\$ (7,088,903)
Public health services	265,474	22,725	148,987	-	(93,762)	-	(93,762)
Leisure time activities	78,177	101,554	2,000	-	25,377	-	25,377
Community and economic development	207,067	281,069	-	-	74,002	-	74,002
Transportation	1,106,754	9,968	858,933	776,065	538,212	-	538,212
General government	958,263	288,948	109,720	-	(559,595)	-	(559,595)
Interest on long-term debt	121,070	-	-	-	(121,070)	-	(121,070)
Total governmental activities	<u>10,946,571</u>	<u>1,733,590</u>	<u>1,211,177</u>	<u>776,065</u>	<u>(7,225,739)</u>	<u>-</u>	<u>(7,225,739)</u>
Business-type activities:							
Water	1,323,983	2,300,767	10,768	80,000	-	1,067,552	1,067,552
Sewer	2,269,448	4,750,593	-	-	-	2,481,145	2,481,145
Other business-type activities:							
Storm Water	54,549	217,407	-	-	-	162,858	162,858
Water/Wastewater deposit	3,505	10,483	-	-	-	6,978	6,978
Sanitation	733,567	529,108	6,271	-	-	(198,188)	(198,188)
Total business-type activities	<u>4,385,052</u>	<u>7,808,358</u>	<u>17,039</u>	<u>80,000</u>	<u>-</u>	<u>3,520,345</u>	<u>3,520,345</u>
Total	<u>\$ 15,331,623</u>	<u>\$ 9,541,948</u>	<u>\$ 1,228,216</u>	<u>\$ 856,065</u>	<u>(7,225,739)</u>	<u>3,520,345</u>	<u>(3,705,394)</u>
General revenues:							
Income taxes levied for general purposes					5,031,280	-	5,031,280
Property taxes levied for:							
General purposes					1,565,287	-	1,565,287
Fire improvements					2,253,725	-	2,253,725
Police pension					88,443	-	88,443
Recreation					48,758	-	48,758
Capital projects					94,049	-	94,049
Payments in lieu of taxes					694,916	-	694,916
Grants and contributions not restricted							
to specific programs					845,289	-	845,289
Investment earnings					5,168	229	5,397
Miscellaneous					101,084	114,407	215,491
Transfers					(30,000)	30,000	-
Total general revenues and transfers					<u>10,697,999</u>	<u>144,636</u>	<u>10,842,635</u>
Change in net position					3,472,260	3,664,981	7,137,241
Net position beginning of year, <i>restated</i>					<u>8,922,230</u>	<u>19,582,526</u>	<u>28,504,756</u>
Net position end of year					<u>\$ 12,394,490</u>	<u>\$ 23,247,507</u>	<u>\$ 35,641,997</u>

See accompanying notes.

CITY OF HARRISON, OHIO

Balance Sheet

Governmental Funds

December 31, 2021

	General	Street	Fire Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash and investments	\$ 5,245,711	\$ 111,996	\$ 627,988	\$ 3,166,012	\$ 9,151,707
Cash in segregated accounts	15,864	-	-	17,350	33,214
Receivables:					
Property and other taxes	1,971,594	-	2,546,276	102,379	4,620,249
Payment in lieu of taxes	-	-	-	604,300	604,300
Income taxes	1,605,555	-	-	-	1,605,555
Accounts	12,238	1,030	28,727	2,486	44,481
Intergovernmental	177,407	382,135	90,502	49,726	699,770
Prepaid items	37,229	7,448	39,799	8,668	93,144
Materials and supplies inventory	-	9,305	-	-	9,305
Interfund receivable	12,751	-	-	-	12,751
Total assets	<u>\$ 9,078,349</u>	<u>\$ 511,914</u>	<u>\$ 3,333,292</u>	<u>\$ 3,950,921</u>	<u>\$ 16,874,476</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 71,179	\$ 52,502	\$ 17,665	\$ 76,587	\$ 217,933
Retainage payable	-	46,350	-	-	46,350
Accrued salaries	311,389	8,913	267,831	6,709	594,842
Intergovernmental payable	54,021	5,835	54,462	3,571	117,889
Interfund payable	-	-	-	12,751	12,751
Unearned revenue	-	-	-	622,844	622,844
Total liabilities	<u>436,589</u>	<u>113,600</u>	<u>339,958</u>	<u>722,462</u>	<u>1,612,609</u>
Deferred Inflows of Resources					
Property taxes and payment in lieu of taxes levied for next year	1,912,500	-	2,462,700	686,000	5,061,200
Unavailable revenue	1,000,091	241,108	174,078	33,372	1,448,649
Total deferred inflows of resources	<u>2,912,591</u>	<u>241,108</u>	<u>2,636,778</u>	<u>719,372</u>	<u>6,509,849</u>
Fund balances					
Nonspendable	37,229	16,753	39,799	8,668	102,449
Restricted	-	140,453	316,757	1,963,461	2,420,671
Committed	717,216	-	-	241,464	958,680
Assigned	121,818	-	-	308,770	430,588
Unassigned	4,852,906	-	-	(13,276)	4,839,630
Total fund balances	<u>5,729,169</u>	<u>157,206</u>	<u>356,556</u>	<u>2,509,087</u>	<u>8,752,018</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,078,349</u>	<u>\$ 511,914</u>	<u>\$ 3,333,292</u>	<u>\$ 3,950,921</u>	<u>\$ 16,874,476</u>

See accompanying notes.

CITY OF HARRISON, OHIO
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2021

Total governmental fund balances \$ 8,752,018

*Amounts reported for governmental activities in the statement of net position are
 are different because:*

Capital assets used in governmental activities are not financial resources, therefore, are
 not reported in the funds. 23,518,786

Other long-term assets are not available to pay for current period expenditures and
 therefore are unavailable in the funds. 1,448,649

In the statement of net position, interest is accrued on outstanding bonds and loans,
 whereas in governmental funds, interest is accrued when due. (31,878)

Long-term liabilities, including bonds payable, are not due and payable in the current
 period and therefore are not reported in the funds:

Bonds payable	(2,743,144)	
OPWC loan payable	(2,766,007)	
Capital lease payable	(991,956)	
Compensated absences payable	<u>(1,005,344)</u>	(7,506,451)

Governmental funds report the effect of bond refunding when debt is first issued, whereas
 these amounts are deferred and amortized in the statement of activities. (41,708)

The net pension and OPEB liabilities are not due and payable in the current period;
 net OPEB assets are not available to pay current period expenditures; therefore, the
 assets, liabilities and related deferred outflows/inflows are not reported in governmental
 funds:

Deferred outflows - pensions	2,174,032	
Deferred inflows - pensions	(1,762,031)	
Net pension liability	(12,663,366)	
Deferred outflows - OPEB	1,312,388	
Deferred inflows - OPEB	(1,228,759)	
Net OPEB asset	180,097	
Net OPEB liability	<u>(1,757,287)</u>	<u>(13,744,926)</u>

Net position of governmental activities \$ 12,394,490

See accompanying notes.

CITY OF HARRISON, OHIO

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

	General	Street	Fire Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property and other taxes	\$ 1,562,897	\$ -	\$ 2,258,616	\$ 231,273	\$ 4,052,786
Income taxes	5,004,092	-	-	-	5,004,092
Payment in lieu of taxes	-	-	-	731,467	731,467
Intergovernmental	635,169	1,527,234	169,248	459,592	2,791,243
Charges for services	5,880	9,968	972,471	-	988,319
Fines, costs and forfeitures	174,390	-	-	8,945	183,335
Licenses, permits and inspections	383,524	-	-	-	383,524
Interest	5,168	-	-	-	5,168
Contributions	12,387	-	105	28,853	41,345
Other	90,406	720	26,093	6,302	123,521
Total revenues	<u>7,873,913</u>	<u>1,537,922</u>	<u>3,426,533</u>	<u>1,466,432</u>	<u>14,304,800</u>
Expenditures					
Current:					
Security of persons and property	3,098,577	-	4,274,814	83,132	7,456,523
Public health services	-	-	-	256,041	256,041
Leisure time activities	57,966	-	-	121,823	179,789
Community and economic development	343,704	-	-	-	343,704
Transportation	-	1,954,882	-	34,581	1,989,463
General government	1,034,129	-	-	355,347	1,389,476
Capital outlay	167,270	-	11,508	459,143	637,921
Debt Service:					
Principal retirement	197,277	16,844	203,044	255,958	673,123
Interest and fiscal charges	18,902	1,999	25,116	71,799	117,816
Total expenditures	<u>4,917,825</u>	<u>1,973,725</u>	<u>4,514,482</u>	<u>1,637,824</u>	<u>13,043,856</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,956,088</u>	<u>(435,803)</u>	<u>(1,087,949)</u>	<u>(171,392)</u>	<u>1,260,944</u>
Other financing sources (uses)					
Transfers in	85,000	526,418	1,456,248	331,222	2,398,888
Transfers out	(2,378,588)	(5,000)	(300)	(45,000)	(2,428,888)
Issuance of OPWC loans	-	-	-	310,428	310,428
Total other financing sources (uses)	<u>(2,293,588)</u>	<u>521,418</u>	<u>1,455,948</u>	<u>596,650</u>	<u>280,428</u>
Net change in fund balances	662,500	85,615	367,999	425,258	1,541,372
Fund balance, beginning of year, <i>restated</i>	5,066,669	71,591	(11,443)	2,083,829	7,210,646
Fund balance, end of year	<u>\$ 5,729,169</u>	<u>\$ 157,206</u>	<u>\$ 356,556</u>	<u>\$ 2,509,087</u>	<u>\$ 8,752,018</u>

See accompanying notes.

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

Net change in fund balances - total governmental funds \$ 1,541,372

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities,
 the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital asset additions	1,695,802
Depreciation expense	(786,783)

Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, rather these revenues are unavailable.	144,032
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Some expenses reported in the statement of activities do not require the use current financial
 resources and therefore are not reported as expenditures in governmental funds:

Compensated absences	(216,405)
Interest on long-term debt	(10,214)
Amortization of bond premiums	3,752

Repayment of long-term obligations is reported as an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position. In the current year, these amounts consisted of general obligation bonds, OPWC loans, and capital leases.	673,123
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Loan proceeds are recorded as other financing sources in the governmental funds as other financing sources, but are reported as increases of long-term liabilities in the statement of net position.	(310,428)
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Refunding of bonds is recorded as other financing sources and uses in the governmental funds, but are reported as increases or decreases of liabilities on the statement of net position.	3,208
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Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:	
Pensions	1,039,927
OPEB	24,995

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

Pensions	(1,176,971)
OPEB	846,850

Change in net position of governmental activities	<u><u>\$ 3,472,260</u></u>
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See accompanying notes.

CITY OF HARRISON, OHIO

Statement of Revenues, Expenditures and Changes in Fund

Balance - Budget and Actual - Budget (Non-GAAP) Basis

General Fund

Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget</u>
<i>Revenues</i>				
Property and other taxes	\$ 1,508,648	\$ 1,508,648	1,562,897	\$ 54,249
Income taxes	4,230,038	4,156,538	4,996,403	839,865
Intergovernmental	243,353	260,783	414,249	153,466
Fines, costs and forfeitures	140,000	140,000	162,459	22,459
Licenses, permits and inspections	317,200	317,200	383,524	66,324
Interest	15,000	15,000	5,168	(9,832)
Contributions	-	-	1,032	1,032
Other	698,036	686,538	713,905	27,367
Total revenues	<u>7,152,275</u>	<u>7,084,707</u>	<u>8,239,637</u>	<u>1,154,930</u>
<i>Expenditures</i>				
Current:				
General government	1,961,742	2,169,244	1,473,160	696,084
Security of persons and property	3,217,242	3,341,776	3,333,991	7,785
Community and economic development	388,926	393,451	354,910	38,541
Leisure time activity	30,247	30,247	27,216	3,031
Capital outlay	227,243	219,020	167,270	51,750
Debt service	356,181	373,681	216,179	157,502
Total expenditures	<u>6,181,581</u>	<u>6,527,419</u>	<u>5,572,726</u>	<u>954,693</u>
Excess of revenues over expenditures	<u>970,694</u>	<u>557,288</u>	<u>2,666,911</u>	<u>2,109,623</u>
<i>Other financing uses</i>				
Transfers out	<u>(2,118,977)</u>	<u>(2,361,977)</u>	<u>(2,335,677)</u>	<u>26,300</u>
Net change in fund balance	(1,148,283)	(1,804,689)	331,234	<u>\$ 2,135,923</u>
Fund balance, beginning of year	3,376,443	3,376,443	3,376,443	
Prior year encumbrances appropriated	227,779	227,779	227,779	
Fund balance, end of year	<u>\$ 2,455,939</u>	<u>\$ 1,799,533</u>	<u>\$ 3,935,456</u>	

See accompanying notes.

CITY OF HARRISON, OHIO

Statement of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Budget (Non-GAAP) Basis
Street Fund - Major Special Revenue Fund
Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget</u>
Revenues				
Intergovernmental	\$ 771,100	\$ 771,100	\$ 719,189	\$ (51,911)
Charges for services	5,000	5,000	8,938	3,938
Other	<u>15,577</u>	<u>15,577</u>	<u>13,967</u>	<u>(1,610)</u>
Total revenues	<u>791,677</u>	<u>791,677</u>	<u>742,094</u>	<u>(49,583)</u>
Expenditures				
Current:				
Transportation	908,616	1,460,471	1,255,603	204,868
Debt service	<u>18,843</u>	<u>18,843</u>	<u>18,843</u>	<u>-</u>
Total expenditures	<u>927,459</u>	<u>1,479,314</u>	<u>1,274,446</u>	<u>204,868</u>
Excess expenditures over revenues	<u>(135,782)</u>	<u>(687,637)</u>	<u>(532,352)</u>	<u>155,285</u>
Other financing sources (uses)				
Transfers in	326,418	526,418	526,418	-
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>321,418</u>	<u>521,418</u>	<u>521,418</u>	<u>-</u>
Net change in fund balance	185,636	(166,219)	(10,934)	<u>\$ 155,285</u>
Fund balance, beginning of year	(41,997)	(41,997)	(41,997)	
Prior year encumbrances appropriated	<u>17,525</u>	<u>17,525</u>	<u>17,525</u>	
Fund balance, end of year	<u>\$ 161,164</u>	<u>\$ (190,691)</u>	<u>\$ (35,406)</u>	

See accompanying notes.

CITY OF HARRISON, OHIO

Statement of Revenues, Expenditures and Changes in Fund
 Balance - Budget and Actual - Budget (Non-GAAP) Basis
 Fire Improvement Fund - Major Special Revenue Fund
 Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget</u>
<i>Revenues</i>				
Property and other taxes	\$ 2,204,874	\$ 2,204,874	\$ 2,258,616	\$ 53,742
Intergovernmental	124,990	145,490	169,248	23,758
Charges for services	935,413	935,213	988,279	53,066
Contributions	-	-	105	105
Other	<u>95,955</u>	<u>75,656</u>	<u>93,159</u>	<u>17,503</u>
Total revenues	<u>3,361,232</u>	<u>3,361,233</u>	<u>3,509,407</u>	<u>148,174</u>
<i>Expenditures</i>				
Current:				
Security of persons and property	4,564,023	4,617,464	4,427,607	189,857
Capital outlay	50,000	41,570	11,508	30,062
Debt service	<u>228,160</u>	<u>228,160</u>	<u>228,160</u>	<u>-</u>
Total expenditures	<u>4,842,183</u>	<u>4,887,194</u>	<u>4,667,275</u>	<u>219,919</u>
Excess expenditures over revenues	<u>(1,480,951)</u>	<u>(1,525,961)</u>	<u>(1,157,868)</u>	<u>368,093</u>
<i>Other financing sources (uses)</i>				
Transfers in	1,456,248	1,456,248	1,456,248	-
Transfers out	<u>(80,000)</u>	<u>(80,300)</u>	<u>(300)</u>	<u>80,000</u>
Total other financing sources (uses)	<u>1,376,248</u>	<u>1,375,948</u>	<u>1,455,948</u>	<u>80,000</u>
Net change in fund balance	(104,703)	(150,013)	298,080	<u>\$ 448,093</u>
Fund balance, beginning of year	25,251	25,251	25,251	
Prior year encumbrances appropriated	<u>55,601</u>	<u>55,601</u>	<u>55,601</u>	
Fund balance, end of year	<u>\$ (23,851)</u>	<u>\$ (69,161)</u>	<u>\$ 378,932</u>	

See accompanying notes.

CITY OF HARRISON, OHIO

Statement of Net Position

Proprietary Funds

December 31, 2021

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Non-major	Total
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 1,381,190	\$ 4,183,186	\$ 399,236	\$ 5,963,612
Receivables:				
Accounts	391,788	746,978	126,746	1,265,512
Prepaid items	11,256	25,990	-	37,246
Materials and supplies inventory	53,658	4,272	-	57,930
Total current assets	<u>1,837,892</u>	<u>4,960,426</u>	<u>525,982</u>	<u>7,324,300</u>
Noncurrent assets:				
Restricted cash and investments	-	1,845,204	-	1,845,204
Net OPEB asset	45,024	56,280	-	101,304
Non-depreciable capital assets	6,480,923	4,560	-	6,485,483
Depreciable capital assets, net	10,441,050	18,871,092	1,677,183	30,989,325
Total noncurrent assets	<u>16,966,997</u>	<u>20,777,136</u>	<u>1,677,183</u>	<u>39,421,316</u>
Total assets	<u>18,804,889</u>	<u>25,737,562</u>	<u>2,203,165</u>	<u>46,745,616</u>
Deferred outflows of resources				
Deferred charge on refunding	-	421,348	-	421,348
Pensions	48,448	80,957	-	129,405
OPEB	24,985	31,789	-	56,774
Total deferred outflows of resources	<u>73,433</u>	<u>534,094</u>	<u>-</u>	<u>607,527</u>
Liabilities				
Current liabilities:				
Accounts payable	1,213,871	15,052	54,922	1,283,845
Accrued salaries	17,559	81,807	-	99,366
Intergovernmental payable	5,976	9,062	-	15,038
Accrued interest payable	5,074	104,412	-	109,486
Notes payable	-	2,150,000	-	2,150,000
Compensated absences payable, current portion of	9,436	26,209	-	35,645
Capital lease payable, current portion of	1,809	100,761	-	102,570
Revenue bonds payable, current portion of	-	1,045,000	-	1,045,000
General obligation bonds payable, current portion of	-	260,000	-	260,000
OPWC loans payable, current portion of	-	92,308	21,030	113,338
OWDA loans payable, current portion of	317,230	-	-	317,230
Total current liabilities	<u>1,570,955</u>	<u>3,884,611</u>	<u>75,952</u>	<u>5,531,518</u>
Long-term liabilities:				
Capital lease payable, net of current portion	-	212,655	-	212,655
Revenue bonds payable, net of current portion	-	7,079,491	-	7,079,491
General obligation bonds payable, net of current portion	-	3,508,706	-	3,508,706
OPWC loans payable, net of current portion	-	461,542	136,695	598,237
OWDA loans payable, net of current portion	5,489,827	-	-	5,489,827
Compensated absences payable, net of current portion	88,401	194,743	-	283,144
Net pension liability	339,179	423,974	-	763,153
Total long-term liabilities	<u>5,917,407</u>	<u>11,881,111</u>	<u>136,695</u>	<u>17,935,213</u>
Total liabilities	<u>7,488,362</u>	<u>15,765,722</u>	<u>212,647</u>	<u>23,466,731</u>
Deferred inflows of resources				
Pensions	146,390	182,988	-	329,378
OPEB	137,568	171,959	-	309,527
Total deferred inflows of resources	<u>283,958</u>	<u>354,947</u>	<u>-</u>	<u>638,905</u>
Net Position				
Net investment in capital assets	11,113,107	4,386,537	1,519,458	17,019,102
Restricted for:				
Debt service	-	1,845,204	-	1,845,204
Unrestricted (deficit)	(7,105)	3,919,246	471,060	4,383,201
Total net position	<u>\$ 11,106,002</u>	<u>\$ 10,150,987</u>	<u>\$ 1,990,518</u>	<u>\$ 23,247,507</u>

See accompanying notes.

CITY OF HARRISON, OHIO
Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Non-major	Total
Operating revenues				
Charges for services	\$ 2,300,767	\$ 4,750,593	\$ 756,998	\$ 7,808,358
Other	1,463	112,944	-	114,407
Total operating revenues	<u>2,302,230</u>	<u>4,863,537</u>	<u>756,998</u>	<u>7,922,765</u>
Operating expenses				
Personnel services	85,378	459,326	-	544,704
Contractual services	197,120	372,825	739,794	1,309,739
Supplies and materials	274,115	109,223	-	383,338
Other	246,482	246,482	3,505	496,469
Depreciation	428,850	549,888	48,322	1,027,060
Total operating expenses	<u>1,231,945</u>	<u>1,737,744</u>	<u>791,621</u>	<u>3,761,310</u>
Operating income (loss)	1,070,285	3,125,793	(34,623)	4,161,455
Non-operating revenues (expenses):				
Intergovernmental revenue	10,768	-	6,271	17,039
Interest revenue	-	229	-	229
Interest expense and fiscal charges	<u>(92,038)</u>	<u>(531,704)</u>	<u>-</u>	<u>(623,742)</u>
Total non-operating revenues (expenses)	<u>(81,270)</u>	<u>(531,475)</u>	<u>6,271</u>	<u>(606,474)</u>
Income (loss) before contributions and transfers	989,015	2,594,318	(28,352)	3,554,981
Capital contributions	80,000	-	-	80,000
Transfers in	-	92,309	82,178	174,487
Transfers out	<u>(10,000)</u>	<u>(42,178)</u>	<u>(92,309)</u>	<u>(144,487)</u>
Change in net position	1,059,015	2,644,449	(38,483)	3,664,981
Net position, beginning of year, <i>restated</i>	<u>10,046,987</u>	<u>7,506,538</u>	<u>2,029,001</u>	<u>19,582,526</u>
Net position, end of year	<u>\$ 11,106,002</u>	<u>\$ 10,150,987</u>	<u>\$ 1,990,518</u>	<u>\$ 23,247,507</u>

See accompanying notes.

CITY OF HARRISON, OHIO
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Non-major	Total
Cash flows from operating activities				
Cash received from customers	\$ 2,274,931	\$ 4,691,085	\$ 755,449	\$ 7,721,465
Cash payments for employee services and benefits	(414,126)	(785,583)	-	(1,199,709)
Cash payments to suppliers for goods and services	(537,601)	(488,704)	(684,872)	(1,711,177)
Cash payments for other operating expenses	(246,482)	(246,482)	(3,505)	(496,469)
Cash received from other operating revenue	1,463	96,409	-	97,872
Net cash from operating activities	<u>1,078,185</u>	<u>3,266,725</u>	<u>67,072</u>	<u>4,411,982</u>
Cash flows from noncapital financing activities				
Transfers	(10,000)	50,131	(10,131)	30,000
Intergovernmental	-	-	6,271	6,271
Return advances to other funds	-	17,178	(17,178)	-
Net cash from noncapital financing activities	<u>(10,000)</u>	<u>67,309</u>	<u>(21,038)</u>	<u>36,271</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	(3,821,180)	(97,140)	-	(3,918,320)
Proceeds from notes payable	-	2,150,000	-	2,150,000
Proceeds from loans	3,433,027	-	-	3,433,027
Principal retirement	(373,893)	(3,961,526)	(21,030)	(4,356,449)
Interest paid	(114,482)	(461,497)	-	(575,979)
Net cash from capital and related financing activities	<u>(876,528)</u>	<u>(2,370,163)</u>	<u>(21,030)</u>	<u>(3,267,721)</u>
Cash flows from investing activities				
Interest	-	229	-	229
Net change	191,657	964,100	25,004	1,180,761
Cash and pooled investments beginning of year, <i>restated</i>	<u>1,189,533</u>	<u>5,064,290</u>	<u>374,232</u>	<u>6,628,055</u>
Cash and pooled investments end of year	<u>\$ 1,381,190</u>	<u>\$ 6,028,390</u>	<u>\$ 399,236</u>	<u>\$ 7,808,816</u>
Reconciliation of operating income/(loss) to net cash from operating activities:				
Operating income/(loss)	\$ 1,070,285	\$ 3,125,793	\$ (34,623)	\$ 4,161,455
Adjustments to reconcile operating income/(loss) to net cash from operating activities:				
Depreciation	428,850	549,888	48,322	1,027,060
Changes in deferred outflows - pensions and OPEB	67,677	54,575	-	122,252
Changes in deferred inflows - pensions and OPEB	130,817	180,437	-	311,254
Changes in assets and liabilities:				
Receivables	(25,836)	(76,043)	(1,549)	(103,428)
Prepaid items	(298)	(8,352)	-	(8,650)
Materials and supplies inventory	(4,604)	1,660	-	(2,944)
Accounts payable	(54,111)	11,071	54,922	11,882
Accrued salaries	(3,731)	(10,646)	-	(14,377)
Intergovernmental payable	1,156	(1,293)	-	(137)
Compensated absences payable	18,269	34,214	-	52,483
Net pension liability	(132,729)	(113,781)	-	(246,510)
Net OPEB asset and liability	(417,560)	(480,798)	-	(898,358)
Net cash from operating activities	<u>\$ 1,078,185</u>	<u>\$ 3,266,725</u>	<u>\$ 67,072</u>	<u>\$ 4,411,982</u>
Schedule of non-cash capital and related financing activities:				
Capital assets acquired through accounts payable	\$ 1,207,395	-	-	
Capital assets contributed by developers	\$ 80,000	-	-	

See accompanying notes.

CITY OF HARRISON, OHIO
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2021

Assets

Equity in pooled cash and investments	\$ 234,331
Cash in segregated accounts	5,415
Receivables:	
Income taxes	<u>51,002</u>
Total assets	<u><u>290,748</u></u>

Liabilities

Intergovernmental payable	<u>290,748</u>
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Net Position

Restricted for other governments and organizations	<u><u>\$ -</u></u>
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See accompanying notes.

CITY OF HARRISON, OHIO

Statement of Changes in Fiduciary Net Position

Custodial Funds

Year Ended December 31, 2021

Additions

Collections for other governments and organizations:	
Income taxes	\$ 314,472
Fines, costs and forfeitures	<u>46,941</u>
Total additions	<u>361,413</u>

Deductions

Administrative expenses	23,251
Distributions of income taxes	291,221
Distributions to state, local governments and others	<u>46,941</u>
Total deductions	<u>361,413</u>

Change in fiduciary net position -

Net position, beginning of year -

Net position, end of year \$ -

See accompanying notes.

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CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

Jointly Governed Organization

Harrison Township-City of Harrison Joint Economic Development District

In an effort to facilitate economic development and to create and preserve jobs, the City has entered into a contract with Harrison Township to create a Joint Economic Development District (JEDD). In accordance with State law, the District's Board of Trustees levied a 1% income tax. The proceeds of that tax are allocated, in accordance with the contract, to the City and the Township. The City and the Township will utilize these JEDD revenues, in part, to construct infrastructure and improvement in the District. The City received \$216,306 in revenues through the JEDD in 2021.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

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

B. Basis of Presentation

Government-wide Financial Statements

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of expenses with program revenues identifies the extent to which each governmental function or business-type segment is self-financing or relies upon general revenues of the City.

Fund Financial Statements

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

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

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

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

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

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

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

B. Basis of Presentation - *continued*

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

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

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

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

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

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

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

C. Measurement Focus - *continued*

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

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

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

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

Revenues – Exchange and Non-Exchange Transactions

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

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

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

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

C. Measurement Focus - continued

Deferred Outflows of Resources

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

Deferred Inflows of Resources

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. For the City, deferred inflows of resources include deferred gain on refunding, property taxes, payments in lieu of taxes, unavailable revenue, pensions and OPEB. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Receivables for property taxes and payments in lieu of taxes represent amounts that are measurable as of December 31, 2021, but are intended to finance the subsequent year's operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (sixty days after year-end). Deferred inflows of resources related to pensions and OPEB are explained in Notes 8 and 9.

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

D. Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. During 2021, investments were limited to STAR Ohio and U.S. Government money market mutual funds.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2021. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Investments in STAR Ohio are valued at the net asset value per share provided by STAR Ohio on an amortized cost basis at December 31, 2021, which approximates fair value.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

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

D. Cash and Investments - *continued*

For 2021, there were no limitations or restrictions on any participants withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio Statutes, the Council has, by resolution, specified the funds to receive an allocation of interest earnings. During 2021, interest revenue credited to the general fund amounted to \$5,168, which includes \$3,462 assigned from other funds.

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

At year end, the City had \$1,845,204 for amounts held by a trustee, as designated by bond indenture for debt repayment. These amounts are reported as “restricted cash and investments” in the financial statements. An analysis of the City’s deposits and investments at year end is provided in Note 3.

E. Prepaid Items

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

F. Supplies Inventory

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

G. Capital Assets

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

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

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

G. Capital Assets - *continued*

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

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

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

H. Restricted Assets

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

I. Accrued Liabilities and Long-Term Obligations

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

J. Interfund Balances

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

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

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

K. Pensions and OPEB

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

L. Compensated Absences

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

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

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

M. Accounting Estimates

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

N. Grants and Other Intergovernmental Revenues

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

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

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

O. Fund Balances

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

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

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

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

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

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

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

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

O. Fund Balances - *continued*

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

P. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when the limitations imposed on its use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments. At December 31, 2021, none of the City's net position was restricted by enabling legislation.

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

Q. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than fiduciary funds, are legally required to be budgeted and appropriated.

The legal level of budgetary control (the level at which transfers of budget amounts cannot be made without legislative approval) is at the object level. Budgetary modifications may only be made by ordinance of the City Council. The City legally adopted supplemental appropriations during 2021.

Tax Budget

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

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

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

Q. Budgetary Process - *continued*

Estimated Resources

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

Appropriations

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

Encumbrances

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

Lapsing of Appropriations

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

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 2—BUDGETARY BASIS OF ACCOUNTING

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

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

The adjustments necessary to convert the results of operations of the General and major Special Revenue funds for the year ended December 31, 2021, on the GAAP basis to the budget basis are as follows:

	<u>General Fund</u>	<u>Street</u>	<u>Fire Improvement</u>
Net change in fund balance - GAAP Basis	\$ 662,500	\$ 85,615	\$ 367,999
Funds reclassified	18,795	-	-
Net adjustment for revenue accruals	382,959	(795,828)	82,874
Net adjustment for expenditure accruals	(622,228)	812,408	(124,416)
Encumbrances	(68,703)	(113,129)	(28,377)
Other sources (uses)	<u>(42,089)</u>	<u>-</u>	<u>-</u>
Net change in fund balance - Budget Basis	<u>\$ 331,234</u>	<u>\$ (10,934)</u>	<u>\$ 298,080</u>

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 3—DEPOSITS AND INVESTMENTS

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

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

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

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

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

- (1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- (3) Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily and that the term of the agreement must not exceed thirty days;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No-load money market funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreement secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (6) The State Treasury Assets Reserve of Ohio (STAR Ohio);
- (7) Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 3—DEPOSITS AND INVESTMENTS – *continued*

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

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

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

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

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

At December 31, 2021, the carrying amount of all City deposits was \$15,339,127. \$15,463,157 of the City’s bank balance of \$16,463,157 was exposed to custodial risk as discussed above, while \$1,000,000 was covered by FDIC.

At December 31, 2021, the carrying amount of the City’s segregated cash deposits was \$38,629. The bank balance of \$39,786 was covered by FDIC.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 3—DEPOSITS AND INVESTMENTS – *continued*

Investments: The City’s investments at December 31, 2021 are summarized as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity 6 months or less</u>	<u>Concentration Percent of Total</u>
STAR Ohio	\$ 10,523	\$ 10,523	1%
Money Market	1,845,204	1,845,204	99%
	<u>\$1,855,727</u>	<u>\$1,855,727</u>	<u>100%</u>

Credit Risk: The City’s investment in STAR Ohio and the money markets have an AAAM credit rating. The City’s investment policy limits its investments to those authorized by State statute.

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

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

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the City manages its exposure to declines in fair value by limiting the maximum maturity of investments in its portfolio to five years. Due to the money market and STAR Ohio having average maturities of 37 and 51 days, respectively, at December 31, 2021, they were presented as investments with a maturity of six months or less.

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

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 4—PROPERTY TAXES

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

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

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

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

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

The assessed values upon which 2021 taxes were collected were:

Agricultural/Residential	\$235,490,650
Commercial/Industrial/Other	80,832,070
Public Utility	<u>8,840,910</u>
Total Assessed Value	<u>\$325,163,630</u>
Tax Rate per \$1,000 of Assessed Valuation	<u>\$ 15.09</u>

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 5—INCOME TAX

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

NOTE 6—INTERFUND ACTIVITY

Interfund activity as reported in the fund financial statements includes transfers, advances to/from funds and interfund receivable/payable. The following represent the transfers during 2021:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 85,000	\$ 2,378,588
Street	526,418	5,000
Fire Improvement	1,456,248	300
Nonmajor governmental funds	331,222	45,000
Water Fund	-	10,000
Sewer Fund	92,309	42,178
Nonmajor enterprise fund	82,178	92,309
	<u>\$ 2,573,375</u>	<u>\$ 2,573,375</u>

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

Interfund receivable/payable of \$12,751 from the General Fund to the nonmajor governmental COVID Fund was made to provide temporary funding on a reimbursable grant.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 7—CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,015,891	\$ -	\$ -	\$ 3,015,891
Construction in progress	67,000	1,360,434	(1,137,576)	289,858
Total capital assets not being depreciated	<u>3,082,891</u>	<u>1,360,434</u>	<u>(1,137,576)</u>	<u>3,305,749</u>
<i>Capital assets being depreciated:</i>				
Land improvements	804,817	-	-	804,817
Buildings and improvements	3,990,038	16,857	-	4,006,895
Furniture and equipment	877,116	275,439	-	1,152,555
Vehicles	2,900,241	43,072	-	2,943,313
Infrastructure	<u>19,486,763</u>	<u>1,137,576</u>	<u>-</u>	<u>20,624,339</u>
Total capital assets being depreciated	<u>28,058,975</u>	<u>1,472,944</u>	<u>-</u>	<u>29,531,919</u>
Less accumulated depreciation:				
Land improvements	(804,817)	-	-	(804,817)
Buildings and improvements	(2,413,061)	(80,425)	-	(2,493,486)
Furniture and equipment	(574,173)	(74,664)	-	(648,837)
Vehicles	(1,415,234)	(186,983)	-	(1,602,217)
Infrastructure	<u>(3,324,814)</u>	<u>(444,711)</u>	<u>-</u>	<u>(3,769,525)</u>
Total accumulated depreciation	<u>(8,532,099)</u>	<u>(786,783)</u>	<u>-</u>	<u>(9,318,882)</u>
Total capital assets being depreciated, net	<u>19,526,876</u>	<u>686,161</u>	<u>-</u>	<u>20,213,037</u>
 Capital assets, net	 <u>\$ 22,609,767</u>	 <u>\$ 2,046,595</u>	 <u>\$ (1,137,576)</u>	 <u>\$ 23,518,786</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 2,200
Security of persons and property	280,197
Transportation	475,936
Leisure time activities	<u>28,450</u>
Total depreciation expense	<u>\$ 786,783</u>

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 7—CAPITAL ASSETS – continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 485,420	\$ -	\$ -	\$ 485,420
Construction in progress	3,533,382	5,040,418	(2,573,737)	6,000,063
Total capital assets not being depreciated	<u>4,018,802</u>	<u>5,040,418</u>	<u>(2,573,737)</u>	<u>6,485,483</u>
<i>Capital assets being depreciated:</i>				
Land improvements	24,474	-	-	24,474
Buildings and improvements	10,180,102	-	-	10,180,102
Furniture and equipment	7,827,219	85,297	-	7,912,516
Vehicles	1,072,425	-	-	1,072,425
Infrastructure	33,945,290	2,653,737	-	36,599,027
Total capital assets being depreciated	<u>53,049,510</u>	<u>2,739,034</u>	<u>-</u>	<u>55,788,544</u>
Less accumulated depreciation:				
Land improvements	(24,474)	-	-	(24,474)
Buildings and improvements	(4,719,753)	(191,633)	-	(4,911,386)
Furniture and equipment	(6,478,638)	(73,433)	-	(6,552,071)
Vehicles	(520,915)	(46,569)	-	(567,484)
Infrastructure	(12,028,379)	(715,425)	-	(12,743,804)
Total accumulated depreciation	<u>(23,772,159)</u>	<u>(1,027,060)</u>	<u>-</u>	<u>(24,799,219)</u>
Total capital assets being depreciated, net	<u>29,277,351</u>	<u>1,711,974</u>	<u>-</u>	<u>30,989,325</u>
Capital assets, net	<u>\$ 33,296,153</u>	<u>\$ 6,752,392</u>	<u>\$ (2,573,737)</u>	<u>\$ 37,474,808</u>

Depreciation expense was charged to segments as follows:

<u>Major enterprise funds</u>	
Water	\$ 428,850
Sewer	549,888
<u>Nonmajor enterprise fund</u>	
Storm water	<u>48,322</u>
Total depreciation expense	<u>\$ 1,027,060</u>

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 8—DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to net pension liability would be effective when the changes are legally enforceable.

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

Ohio Public Employees Retirement System (OPERS)

Plan Description. City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g., City employees) may elect the Member-Directed Plan and the Combined Plan, the majority of employee members are in OPERS’ Traditional Plan; therefore, the following disclosures focus on the Traditional Pension Plan.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 8—DEFINED BENEFIT PENSION PLANS – *continued*

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

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

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

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

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

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

Funding Policy. The ORC provides statutory authority for member and employer contributions. For 2021, member contribution rates were 10% of salary and employer contribution rates were 14%. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$292,671 for 2021. Of this amount, \$39,312 is reported as an intergovernmental payable.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 8—DEFINED BENEFIT PENSION PLANS – *continued*

Ohio Police & Fire Pension Fund (OP&F)

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5% for each of the first 20 years of service credit, 2.0% for each of the next five years of service credit and 1.5% for each year of service credit in excess of 25 years. The maximum pension of 72% of the allowable average annual salary is paid after 33 years of service credit.

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3% of their base pension or disability benefit.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 8—DEFINED BENEFIT PENSION PLANS – continued

Funding Policy. The ORC provides statutory authority for member and employer contributions as follows:

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

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OP&F was \$850,905 for 2021. Of this amount, \$93,617 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The net pension liability for OPERS was measured as of December 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F’s total pension liability was measured as of December 31, 2020, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. The City’s proportion of the net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS	OP&F	Total
Proportionate Share of Net Pension Liability	\$ 2,119,871	\$ 11,306,648	\$ 13,426,519
Proportion of Net Pension Liability	0.01432%	0.165857%	
Change in Proportion	0.00043%	0.001250%	
Pension Expense	\$ 128,004	\$ 1,064,069	\$ 1,192,073

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 8—DEFINED BENEFIT PENSION PLANS – continued

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$ -	\$ 472,655	\$ 472,655
Change in assumptions	-	189,618	189,618
Change in City's proportionate share and differences in employer contributions	71,544	426,044	497,588
City contributions subsequent to the measurement date	292,671	850,905	1,143,576
	<u>\$ 364,215</u>	<u>\$ 1,939,222</u>	<u>\$ 2,303,437</u>
 <u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 88,676	\$ 440,473	\$ 529,149
Net differences between projected and actual investment earnings	826,264	548,448	1,374,712
Change in City's proportionate share and differences in employer contributions	-	187,548	187,548
	<u>\$ 914,940</u>	<u>\$ 1,176,469</u>	<u>\$ 2,091,409</u>

\$1,143,576 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2022	\$ (296,684)	\$ 169,894	\$ (126,790)
2023	(97,209)	278,133	180,924
2024	(336,813)	(505,596)	(842,409)
2025	(112,690)	(57,543)	(170,233)
2026	-	26,960	26,960
	<u>\$ (843,396)</u>	<u>\$ (88,152)</u>	<u>\$ (931,548)</u>

Ohio Public Employees Retirement System (OPERS)

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

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 8—DEFINED BENEFIT PENSION PLANS – *continued*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Wage inflation	3.25%
Future salary increases, Including inflation	3.25% to 10.75%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3% simple; Post 1/7/2013 retirees: 0.5% simple through 2021, then 2.15% simple
Investment rate of return	7.20%
Actuarial cost method	Individual entry age
Mortality tables	RP-2014

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

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

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

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

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 8—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, 2020, these best estimates are summarized in the following table:

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

Discount Rate. The discount rate used to measure the total pension liability was 7.20% for the Traditional Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table represents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20%, 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 (6.20%) and one-percentage point higher (8.20%) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Current Discount Rate of 7.20%</u>	<u>1% Increase (8.20%)</u>
City's proportionate share of the net pension liability	\$ 4,043,617	\$ 2,119,871	\$ 520,233

Changes Subsequent to the Measurement Date. In September 2021, the Board approved several changes to the pension plan based on the completed five-year experience study covering the period 2016-2020. In addition to other changes, the Board approved to decrease the assumed pension investment rate of return from 7.20% to 6.90%. These changes are not reflected in the current measurement period but are expected to increase the associated pension liability.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 8—DEFINED BENEFIT PENSION PLANS – *continued*

Ohio Police & Fire Pension Fund (OP&F)

Actuarial Assumptions. OP&F’s total pension liability as of December 31, 2020 is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of 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 experiences and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2020, are presented below:

Valuation date	January 1, 2020 with actuarial liabilities rolled forward to December 31, 2020
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% to 10.50%
Payroll growth	2.75% plus productivity increase rate of 0.5%
Inflation assumptions	2.75%
Cost of living adjustments	3.0% simple; 2.2% simple for increases based on the lesser of the increase in CPI and 3.0%.

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

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

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

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

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

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 8—DEFINED BENEFIT PENSION PLANS – *continued*

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalents	0.0%	0.00%
Domestic equity	21.0%	4.10%
Non-U.S. equity	14.0%	4.80%
Private markets	8.0%	6.40%
Core fixed income*	23.0%	0.90%
High yield fixed income	7.0%	3.00%
Private credit	5.0%	4.50%
U.S. inflation linked bonds*	17.0%	0.70%
Midstream energy infrastructure	5.0%	5.60%
Real assets	8.0%	5.80%
Gold	5.0%	1.90%
Private real estate	12.0%	5.30%
	125.0%	

*Note: Assumptions are geometric. * Levered 2.5x*

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

Discount Rate. The total pension liability was calculated using the discount rate of 8.0%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.0%. 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.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 8—DEFINED BENEFIT PENSION PLANS – *continued*

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (7.0%) or one-percentage point higher (9.0%) than the current rate.

	1% Decrease (7.0%)	Current Discount Rate of 8.0%	1% Increase (9.0%)
City's proportionate share of the net pension liability	\$ 15,740,302	\$ 11,306,648	\$ 7,596,127

NOTE 9—DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/(Asset)

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

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The ORC permits, but does not require, the retirement systems to provide health care to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/(asset). Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 9—DEFINED BENEFIT OPEB PLANS – continued

Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

Funding Policy—The ORC provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. 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 2021, state and local employers contributed at a rate of 14.0% of earnable salary and public safety and law enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

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 Traditional Pension and Combined plans' employer contributions allocated to health care was zero in 2021. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0%. The City's contractually required contribution to OPERS for OPEB was \$8,007 for 2021.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 9—DEFINED BENEFIT OPEB PLANS – continued

Ohio Police & Fire Pension Fund (OP&F)

Plan Description. The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined postemployment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B premiums to retirees, qualifying benefit recipients and their eligible dependents.

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

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

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

Funding Policy. The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5% and 24.0% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

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

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 2021, the portion of the employer contributions allocated to health care was 0.5% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

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

The City's contractually required contribution to OP&F was \$19,823 for 2021.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 9—DEFINED BENEFIT OPEB PLANS – continued

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of Net OPEB Liability/(Asset)	\$ (281,401)	\$ 1,757,287	\$ 1,475,886
Proportion of Net OPEB Liability/(Asset)	0.015795%	0.165857%	
Change in Proportion	0.000114%	0.001250%	
OPEB (Negative) Expense	\$ (1,674,660)	\$ 207,830	\$ (1,466,830)

At December 31, 2021, 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>
<u>Deferred Outflows of Resources</u>			
Change in assumptions	\$ 138,340	\$ 970,804	\$ 1,109,144
Change in City's proportionate share and differences in employer contributions	11,490	220,698	232,188
City contributions subsequent to the measurement date	8,007	19,823	27,830
	<u>\$ 157,837</u>	<u>\$ 1,211,325</u>	<u>\$ 1,369,162</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 253,964	\$ 289,859	\$ 543,823
Net differences between projected and actual investment earnings	149,878	65,304	215,182
Change in assumptions	455,955	280,144	736,099
Change in City's proportionate share and differences in employer contributions	-	43,182	43,182
	<u>\$ 859,797</u>	<u>\$ 678,489</u>	<u>\$ 1,538,286</u>

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 9—DEFINED BENEFIT OPEB PLANS – continued

\$27,830 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase of the net OPEB asset in the year ending December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS		OP&F		Total
Year Ending December 31:					
2022	\$ (369,322)	\$	115,259	\$	(254,063)
2023	(257,854)		130,723		(127,131)
2024	(65,131)		106,343		41,212
2025	(17,660)		106,554		88,894
2026	-		26,184		26,184
Thereafter	-		27,950		27,950
	\$ (709,967)	\$	513,013	\$	(196,954)

Actuarial Assumptions—OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

Wage inflation	3.25%
Projected salary increases	3.25% to 10.75%, including wage inflation
Singe discount rate:	
Current measurement period	6.00%
Prior measurement period	3.16%
Investment rate of return	6.00%
Municipal bond rate:	
Current measurement period	2.00%
Prior measurement period	2.75%
Health care cost trend rate:	
Current measurement period	8.5% initial, 3.50% ultimate in 2035
Prior measurement period	10.5% initial, 3.50% ultimate in 2030
Actuarial cost method	Individual entry age

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 9—DEFINED BENEFIT OPEB PLANS – continued

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

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

The allocation of investment assets within the Health Care portfolio is approved by the Board 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. The System’s primary goal is to achieve and maintain a fully funded status for benefits provided through the defined benefit 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 the Board’s investment consultant. For each major asset class that is included in the Health Care portfolio’s target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	1.07%
Domestic Equities	25.00%	5.64%
REITs	7.00%	6.48%
International Equities	25.00%	7.36%
Other Investments	<u>9.00%</u>	4.02%
Total	<u>100.00%</u>	4.43%

Discount Rate. A single discount rate of 6.00% was used to measure the OPEB liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.00%.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 9—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 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City’s Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate.

The following table presents the City’s proportionate share of the net OPEB asset calculated using the single discount rate of 6.00%, as well as what the City’s proportionate share of the net OPEB asset if it were calculated using a discount rate that is 1.0% point lower (5.00%) or 1.0% point higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate of 6.00%	1% Increase (7.00%)
City’s proportionate share of the net OPEB (asset)	\$ (69,995)	\$ (281,401)	\$ (455,361)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Current Health Cost Care Trend Rate Assumption	1% Increase
City’s proportionate share of the net OPEB (asset)	\$ (288,353)	\$ (281,401)	\$ (273,817)

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 9—DEFINED BENEFIT OPEB PLANS – *continued*

Actuarial Assumptions—OP&F

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

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

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

Key Methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation are presented below:

Actuarial valuation date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.75% to 10.50%
Payroll growth	3.25%
Single discount rate:	
Current measurement date	2.96%
Prior measurement date	3.56%
Municipal bond rate:	
Current measurement date	2.12%
Prior measurement date	2.75%
Cost of living adjustments	2.2% simple per year

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 9—DEFINED BENEFIT OPEB PLANS – continued

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

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

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalent	0.0%	1.00%
Domestic equity	16.0%	5.40%
Non-U.S. equity	16.0%	5.80%
Private markets	8.0%	8.00%
Core fixed income*	23.0%	2.70%
High yield fixed income	7.0%	4.70%
Private credit	5.0%	5.50%
U.S. inflation linked bonds*	17.0%	2.50%
Master limited partnerships	8.0%	6.60%
Real assets	8.0%	7.40%
Private real estate	12.0%	6.10%
Total	120.00%	

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

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 9—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 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate. Total OPEB liability was calculated using the discount rate of 2.96%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.0%. Based on those assumptions, OP&F’s fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, a municipal bond rate of 2.12% at December 31, 2020 was blended with the long-term rate of 8.0%, which resulted in a blended discount rate of 2.96% at December 31, 2020.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 2.96%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (1.96%) and 1% point higher (3.96%) than the current discount rate.

	1% Decrease (1.96%)	Current Discount Rate of 2.96%	1% Increase (3.96%)
City's proportionate share of the net OPEB liability	\$ 2,191,236	\$ 1,757,287	\$ 1,399,330

NOTE 10—OTHER EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation and Compensatory Time

City employees earn vacation leave at varying rates based upon length of service. In the case of death or separation from employment, an employee (or their estate) is paid for any unused vacation or compensatory leave. The obligation for accrued unpaid vacation time for the City as a whole amounted to \$275,258 at December 31, 2021.

Accumulated Unpaid Sick Leave

City employees earn sick leave at the varying rates. Sick leave is cumulative without limit. In the event of death or separation, an employee is paid for a percentage of their accumulated sick leave up to a maximum. The obligation for accrued unpaid sick leave for the City as a whole amounted to \$1,048,875 at December 31, 2021.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 11—RISK MANAGEMENT

Risk Pool Membership

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

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

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

The Pool’s audited financial statements conform to accounting principles generally accepted in the United States of America and reported the following assets, liabilities and members’ equity at December 31, 2021 and 2020:

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

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

Health Insurance

During 2021, the City provided employees insurance for medical, dental, and life through Anthem Insurance. The premiums for health, dental and accident and life insurance are paid monthly with the City paying one-hundred percent of the cost up to \$847 per employee for Steel Workers Union employees and \$797 per employee for all other employees. Anything above these caps amount is split by the City and the employees per union contracts. The risk of loss transfers to the insurance carrier upon payment of the premium by the City.

Workers’ Compensation

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

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

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 12—LONG-TERM LIABILITIES

The following is a summary of changes during 2021 and balances for governmental activities' long-term liabilities of the City as of December 31, 2021.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
2015 Various purpose	\$ 1,560,000	\$ -	\$ (115,000)	\$ 1,445,000	\$ 115,000
Unamortized premiums	51,896	-	(3,752)	48,144	-
<i>Direct Placement:</i>					
2019 Private placement refunding	1,335,000	-	(85,000)	1,250,000	90,000
OPWC direct borrowing loans	2,646,184	310,428	(190,605)	2,766,007	200,663
Capital lease obligations	1,274,474	-	(282,518)	991,956	293,885
Compensated absences	788,939	305,858	(89,453)	1,005,344	239,613
	<u>\$ 7,656,493</u>	<u>\$ 616,286</u>	<u>\$ (766,328)</u>	<u>\$ 7,506,451</u>	<u>\$ 939,161</u>

Series 2015 General Obligation Various Purpose Improvement and Refunding Bonds

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

Series 2019 Private Placement Refunding Bonds

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

OPWC Loans

Improvements to the City's street infrastructure were financed through expenditures by the Ohio Public Works Commission (OPWC). At December 31, 2021, the City has fourteen interest-free loans outstanding through the OPWC payable from governmental activities. The loans are payable in semi-annual installments of principal.

Compensated Absences

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

The general obligation bonds will be liquidated from the General, Capital Improvement, Home Depot TIF and Harrison Avenue TIF Funds. The OPWC loans will be liquidated from the General and Capital Improvement Funds.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 12—LONG-TERM LIABILITIES – *continued*

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

Year Ending <u>December 31,</u>	<i>Governmental Activities</i>	
	Various Purpose and Refunding Series - 2015	
	Principal	Interest
2022	\$ 115,000	\$ 49,263
2023	125,000	46,675
2024	125,000	42,925
2025	90,000	39,175
2026	95,000	36,475
2027-2031	530,000	130,050
2032-2034	365,000	29,400
Total	\$ 1,445,000	\$ 373,963

Year Ending <u>December 31,</u>	<i>Governmental Activities Direct Placement and Direct Borrowing</i>		
	Refunding Series 2019	OPWC*	
	Principal	Interest	Principal
2022	\$ 90,000	\$ 31,500	\$ 200,663
2023	90,000	29,232	200,663
2024	95,000	26,964	200,663
2025	100,000	24,570	200,663
2026	100,000	22,050	188,852
2027-2031	535,000	71,064	842,507
2032-2036	240,000	12,852	516,032
2037-2041	-	-	201,661
Total	\$ 1,250,000	\$ 218,232	\$ 2,551,704

* - *excludes 2021 OPWC May Drive improvements loan, as the project is ongoing and the loan amortization has not been finalized.*

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 12—LONG-TERM LIABILITIES – *continued*

The following is a summary of changes during 2021 and balances for business-type activities' long-term liabilities of the City as of December 31, 2021.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
General Obligation Bonds:					
2010 Sanitary sewer improvements	\$ 375,000	\$ -	\$ (185,000)	\$ 190,000	\$ 190,000
Unamortized premiums	7,413	-	(3,707)	3,706	-
<i>Direct Placement:</i>					
2019 Private placement refunding	3,645,000	-	(70,000)	3,575,000	70,000
Revenue Bonds:					
2012 Sewer revenue refunding	9,040,000	-	(1,020,000)	8,020,000	1,045,000
Unamortized premiums	119,791	-	(15,300)	104,491	-
OPWC direct borrowing loans	824,914	-	(113,339)	711,575	113,338
ODWA direct borrowing loans	2,738,537	3,433,027	(364,507)	5,807,057	317,230
Capital lease obligations	418,828	-	(103,603)	315,225	102,570
Compensated absences	266,306	67,004	(14,521)	318,789	35,645
	<u>\$ 17,435,789</u>	<u>\$ 3,500,031</u>	<u>\$ (1,889,977)</u>	<u>\$ 19,045,843</u>	<u>\$ 1,873,783</u>

Series 2010 General Obligation Bonds

On December 9, 2010, the City issued \$5,490,000 in general obligation sewer system improvement bonds for the purpose of retiring outstanding notes that were used to finance various improvements to the wastewater system. The bonds were partially advance refunded during the year with the issuance of Series 2019 private placement refunding bonds. The remaining bonds bear interest rates of 3.40% to 3.75% and fully mature on December 1, 2022.

Series 2012 Revenue bonds

On May 4, 2012, the City issued \$16,550,000 in wastewater system revenue refunding bonds. The proceeds of the issuance were used to advance refund the outstanding balance of the 2003 wastewater system revenue improvements and refunding bonds. The interest rates on the Series 2012 bonds range from 2% and 4% and will fully mature in 2028.

Series 2019 Private Placement Refunding Bonds

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

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 12—LONG-TERM LIABILITIES – *continued*

The general obligation bonds and mortgage revenue bonds are expected to be retired with revenues of the sewer fund. General obligation bonds are secured by the City’s ability to levy a voted or unvoted property tax within the limitations of Ohio law. The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$16,550,000 in Series 2012 wastewater system revenue refunding bonds. Principal and interest paid for the current year and net revenue available for debt service were \$1,305,994 and \$3,675,681, respectively.

OPWC Loans

Improvements to the City’s water treatment facilities and State Street/Campbell Road and Etta, Lellan and Joyce Ave. improvements were financed through expenditures by the Ohio Public Works Commission (OPWC). At December 31, 2021, the City has two interest-free loans outstanding through the OPWC payable from business-type activities. The loans are payable in semi-annual installments of principal. The amounts due to the OPWC are payable solely from sewer and storm water revenues.

OWDA Loans

The City has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund construction projects. The amounts due to the OWDA are payable solely from water revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2021, the City has outstanding borrowings of \$5,807,057. The loans are payable in semi-annual payments with interest rates ranging from 2.84% to 3.64%. The future annual debt service principal and interest requirements disclosed were based on loans that were finalized as of December 31, 2021.

Compensated Absences

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

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

Principal and interest requirements to retire the City’s outstanding obligations at December 31, 2021 were:

Year Ending <u>December 31,</u>	<i>Business-Type Activities</i>			
	General Obligation Bonds		Revenue Refunding Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 190,000	\$ 186,538	\$ 1,045,000	\$ 260,494
2023	-	-	1,075,000	231,756
2024	-	-	1,105,000	199,506
2025	-	-	1,140,000	164,975
2026	-	-	1,175,000	127,925
2027-2028	-	-	2,480,000	130,900
Total	\$ 190,000	\$ 186,538	\$ 8,020,000	\$ 1,115,556

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 12—LONG-TERM LIABILITIES – continued

Year Ending December 31,	<i>Business-Type Activities Direct Placement and Direct Borrowing</i>				
	Private Placement Refunding Bonds		OWDA*		OPWC
	Principal	Interest	Principal	Interest	Principal
2022	\$ 70,000	\$ 90,090	\$ 317,230	\$ 73,857	\$ 113,338
2023	255,000	88,326	289,162	63,778	113,338
2024	260,000	81,900	298,912	54,030	113,339
2025	265,000	75,348	308,992	43,949	113,339
2026	270,000	68,670	319,419	33,521	113,339
2027-2031	1,475,000	237,006	713,118	43,098	144,882
2032-2034	980,000	49,770	-	-	-
Total	\$ 3,575,000	\$ 691,110	\$ 2,246,833	\$ 312,233	\$ 711,575

* - excludes 2019 Water Softening Project improvements loan, as the project is ongoing and the loan amortization has not been finalized.

NOTE 13—SHORT-TERM OBLIGATIONS

	Issue Date	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
Business-Type Activities:						
Sewer bond anticipation notes - 2.00%	10/28/2020	10/26/2021	\$ 2,500,000	\$ -	\$ (2,500,000)	\$ -
Sewer bond anticipation notes - 2.00%	10/26/2021	10/25/2022	-	2,150,000	-	2,150,000
			\$ 2,500,000	\$ 2,150,000	\$ (2,500,000)	\$ 2,150,000

On October 28, 2020, the City issued \$2,500,000 in Sewer bond anticipation notes previously issued for various sewer improvements. These notes had an interest rate of 2.00%. On October 26, 2021, the City issued \$2,150,000 in Sewer bond anticipation notes that provided funding to rollover the October 2020 bond anticipation notes. These notes bear an interest rate of 2.00% and mature on October 25, 2022.

NOTE 14—CAPITAL LEASES

The City has entered into several capitalized leases for assets including police vehicles, street sweeper, paramedic vehicles, fire trucks, staff vehicles and various equipment, including five vehicles in prior years. The leases met the criteria of a capital lease as defined by GASB, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the governmental funds. These expenditures are reported as function expenditures on the budgetary statements. For enterprise funds, fund capital assets acquired by capital lease and the related liability and interest expense have been reported in the water fund.

Capital assets consisting of vehicles and equipment have been capitalized in the statement of net position in the amount of \$1,767,470, with a net book value of \$1,191,032, for the governmental activities and \$563,203, with a net book value of \$467,508, in the business-type activities.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 14—CAPITAL LEASES – *continued*

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2021.

Year Ending December 31,	Governmental Activities	Business-Type Activities
2022	\$ 319,516	\$ 110,933
2023	228,334	109,107
2024	192,154	109,107
2025	138,880	-
2026	91,236	-
2027	91,237	-
Total	1,061,357	329,147
Less: amount representing interest	(69,401)	(13,922)
Present value of net minimum lease payments	\$ 991,956	\$ 315,225

NOTE 15—CONTINGENT LIABILITIES

Litigation

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

Federal and State Grants

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

Asset Retirement Obligations

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

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 16—FUND BALANCES

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Street</u>	<u>Fire Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable:</i>					
Prepays	\$ 37,229	\$ 7,448	\$ 39,799	\$ 8,668	\$ 93,144
Inventory	-	9,305	-	-	9,305
<i>Total Nonspendable</i>	<u>37,229</u>	<u>16,753</u>	<u>39,799</u>	<u>8,668</u>	<u>102,449</u>
<i>Restricted for:</i>					
Public safety	-	-	316,757	98,359	415,116
Debt service	-	-	-	28,840	28,840
Recreational activities	-	-	-	844,487	844,487
Street and highway projects	-	140,453	-	59,659	200,112
Infrastructure projects	-	-	-	890,863	890,863
Other purposes	-	-	-	41,253	41,253
<i>Total Restricted</i>	<u>-</u>	<u>140,453</u>	<u>316,757</u>	<u>1,963,461</u>	<u>2,420,671</u>
<i>Committed to</i>					
Severances	717,216	-	-	-	717,216
Capital projects	-	-	-	241,464	241,464
<i>Total Committed</i>	<u>717,216</u>	<u>-</u>	<u>-</u>	<u>241,464</u>	<u>958,680</u>
<i>Assigned to:</i>					
Public safety	49,713	-	-	58,770	108,483
Recreational activities	60,487	-	-	-	60,487
Building, planning and zoning	6,504	-	-	-	6,504
General government	5,114	-	-	250,000	255,114
<i>Total Assigned</i>	<u>121,818</u>	<u>-</u>	<u>-</u>	<u>308,770</u>	<u>430,588</u>
<i>Unassigned (Deficit)</i>	<u>4,852,906</u>	<u>-</u>	<u>-</u>	<u>(13,276)</u>	<u>4,839,630</u>
<i>Total Fund Balance</i>	<u>\$ 5,729,169</u>	<u>\$ 157,206</u>	<u>\$ 356,556</u>	<u>\$ 2,509,087</u>	<u>\$ 8,752,018</u>

At December 31, 2021, the following deficit fund balance was reported:

COVID Fund \$ 13,276

The General Fund provides transfers to cover fund deficit balances; however, this is done when cash is needed. The City also had a budgetary basis deficit fund balance in this fund due to grant funding that was in the process of collection.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 17—COMMITMENTS

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

General Fund	\$ 68,703
Street Fund	113,129
Fire Improvement Fund	28,377
Nomajor Governmental Funds	<u>39,336</u>
	<u>\$ 249,545</u>

NOTE 18—TAX ABATEMENTS

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

During 2021, the City’s property tax revenues were reduced by \$103,445 under these programs.

NOTE 19—RESTATEMENTS

The City hired the Auditor of State’s Local Government Services division to perform reconciliations on the City’s cash basis records in conjunction with the City’s transition to a new financial system. The reconciliations resulted in the clean-up of several funds and required the restatement of beginning fund balance and net position as follows:

	Nonmajor Governmental Funds	Water	Sewer
Fund Balance/Net Position at December 31, 2020	\$ 2,469,068	\$ 9,922,309	\$ 7,245,977
Adjustments:			
Cash adjustments	<u>(385,239)</u>	<u>124,678</u>	<u>260,561</u>
Restated Fund Balance/Net Position at December 31, 2020	<u>\$ 2,083,829</u>	<u>\$10,046,987</u>	<u>\$ 7,506,538</u>

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2021

NOTE 19—RESTATEMENTS – *continued*

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Net Position at December 31, 2020	\$ 9,307,469	\$19,197,287
Adjustments:		
Cash adjustments	<u>(385,239)</u>	<u>385,239</u>
Restated Net Position at December 31, 2020	<u>\$ 8,922,230</u>	<u>\$19,582,526</u>

NOTE 20 - COVID-19

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

NOTE 21 - CHANGE IN ACCOUNTING PRINCIPLE

For 2021, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 89, “Accounting for Interest Cost Incurred before the End of a Construction Period.”

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. The implementation of this statement had no effect on beginning of year net position/fund balance.

Required Supplementary Information

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CITY OF HARRISON, OHIO

Required Supplementary Information

Schedule of City's Proportionate Share of the Net Pension Liability

Ohio Public Employees Retirement System - Traditional Pension Plan

Last Eight Years (1) (2)

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

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

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

Notes to Schedule:

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

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

CITY OF HARRISON, OHIO

Required Supplementary Information

Schedule of City's Proportionate Share of the Net Pension Liability

Ohio Police and Fire Pension Fund

Last Eight Years (1) (2)

	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.155605%	\$ 7,578,456	\$ 4,078,361	185.82%	73.00%
2015	0.155605%	8,060,993	3,198,414	252.03%	72.20%
2016	0.148139%	9,529,887	3,183,678	299.34%	66.77%
2017	0.160142%	10,143,234	3,624,913	279.82%	68.36%
2018	0.169570%	10,407,251	3,820,692	272.39%	70.91%
2019	0.168791%	13,777,807	3,977,501	346.39%	63.07%
2020	0.164608%	11,088,862	4,446,232	249.40%	69.89%
2021	0.165857%	11,306,648	4,282,623	264.01%	70.65%

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

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

Notes to Schedule:

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

CITY OF HARRISON, OHIO

Required Supplementary Information

Schedule of City Pension Contributions

Ohio Public Employees Retirement System - Traditional Pension Plan

Last Ten Years

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2012	\$ 178,537	\$ (178,537)	\$ -	\$ 1,785,370	10.00%
2013	195,286	(195,286)	-	1,502,200	13.00%
2014	169,062	(169,062)	-	1,408,850	12.00%
2015	186,291	(186,291)	-	1,552,425	12.00%
2016	203,067	(203,067)	-	1,692,225	12.00%
2017	174,611	(174,611)	-	1,343,162	13.00%
2018	251,794	(251,794)	-	1,798,529	14.00%
2019	288,101	(288,101)	-	2,057,864	14.00%
2020	278,621	(278,621)	-	1,990,150	14.00%
2021	292,671	(292,671)	-	2,090,507	14.00%

CITY OF HARRISON, OHIO
 Required Supplementary Information
 Schedule of City Pension Contributions
 Ohio Police and Fire Pension Fund
 Last Ten Years

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2012	\$ 492,870	\$ (492,870)	\$ -	\$ 3,382,773	14.57%
2013	696,584	(696,584)	-	4,078,361	17.08%
2014	651,197	(651,197)	-	3,198,414	20.36%
2015	639,601	(639,601)	-	3,183,678	20.09%
2016	728,245	(728,245)	-	3,624,913	20.09%
2017	767,577	(767,577)	-	3,820,692	20.09%
2018	799,080	(799,080)	-	3,977,501	20.09%
2019	893,248	(893,248)	-	4,446,232	20.09%
2020	860,379	(860,379)	-	4,282,623	20.09%
2021	850,905	(850,905)	-	4,235,465	20.09%

CITY OF HARRISON, OHIO

Required Supplementary Information

Schedule of City's Proportionate Share of the Net OPEB Liability/(Asset)

Ohio Public Employees Retirement System

Last Five Years (1) (2)

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

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

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

Notes to Schedule:

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

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

In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate changed from 10.0% initial, 3.25% ultimate in 2029 to 10.5% initial, 3.50% ultimate in 2030.

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

CITY OF HARRISON, OHIO
 Required Supplementary Information
 Schedule of City's Proportionate Share of the Net OPEB Liability
 Ohio Police and Fire Pension Fund
 Last Five Years (1) (2)

	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.160142%	\$ 7,601,581	\$ 3,624,913	209.70%	15.96%
2018	0.169570%	9,607,576	3,820,692	251.46%	14.13%
2019	0.168791%	1,537,101	3,977,501	38.64%	46.57%
2020	0.164608%	1,625,951	4,446,232	36.57%	47.08%
2021	0.165857%	1,757,287	4,282,623	41.03%	45.42%

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

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

Notes to Schedule:

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

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

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

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

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

CITY OF HARRISON, OHIO
 Required Supplementary Information
 Schedule of City OPEB Contributions
 Ohio Public Employees Retirement System
 Last Ten Years

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2012	\$ 71,415	\$ (71,415)	\$ -	\$ 1,785,370	4.0%
2013	15,022	(15,022)	-	1,502,200	4.0%
2014	28,177	(28,177)	-	1,408,850	1.0%
2015	31,049	(31,049)	-	1,552,425	2.0%
2016	33,845	(33,845)	-	1,692,225	2.0%
2017	16,560	(16,560)	-	1,343,162	2.0%
2018	9,881	(9,881)	-	1,798,529	0.5%
2019	11,025	(11,025)	-	2,057,864	0.5%
2020	9,363	(9,363)	-	1,990,150	0.5%
2021	8,007	(8,007)	-	2,090,507	0.4%

CITY OF HARRISON, OHIO
 Required Supplementary Information
 Schedule of City OPEB Contributions
 Ohio Police and Fire Pension Fund
 Last Ten Years

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2012	\$ 221,667	\$ (221,667)	\$ -	\$ 3,382,773	6.6%
2013	145,541	(145,541)	-	4,078,361	3.6%
2014	15,208	(15,208)	-	3,198,414	0.5%
2015	15,349	(15,349)	-	3,183,678	0.5%
2016	17,244	(17,244)	-	3,624,913	0.5%
2017	17,949	(17,949)	-	3,820,692	0.5%
2018	18,598	(18,598)	-	3,977,501	0.5%
2019	20,811	(20,811)	-	4,446,232	0.5%
2020	20,045	(20,045)	-	4,235,465	0.5%
2021	19,823	(19,823)	-	4,235,465	0.5%



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

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

To the Members of City Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harrison, Hamilton County, (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 27, 2022, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our 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 2021-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Piketon, Ohio
October 27, 2022

**City of Harrison
Hamilton County**

Schedule of Findings
December 31, 2021

FINDING NUMBER 2021-001

Significant Deficiency

Accurate reconciliation procedures are a key component of an effective accounting system required to enable the City to properly classify transactions, maintain accountability for funds, distribute funds accurately, and detect fraud and errors in a timely manner.

We noted the following reconciling issues:

- Bank reconciliations were not provided to Council at their regular monthly meetings for review and approval.
- Posting of disbursements and receipts was not done on a timely basis. In 2021, disbursement and receipt transactions were not completely posted prior to year-end. Reconciliations were not completed until September 2022.

Untimely recording of transactions and inaccurate reconciliations reduce management's ability to monitor of City assets and funds and increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

We recommend the City ensure that monthly reconciliations are performed timely and all variances between the book and the bank are identified and resolved during the reconciliation process. We also recommend that the monthly reconciliations be included in the financial packet presented to Council and that Council review and sign off on these reconciliations noting this review and approval. We further recommend that all transactions be posted to the accounting system timely.

Officials' Response: We received no response from Officials regarding this finding.

**City of Harrison
Hamilton County**

Schedule of Prior Audit Findings
December 31, 2021

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2020-001	Material Weakness – Bank Reconciliations	No	Reissued as a Significant Deficiency

OHIO AUDITOR OF STATE KEITH FABER



CITY OF HARRISON

HAMILTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/22/2022

88 East Broad 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