OHIO AUDITOR OF STATE
KEITH FABER

CITY OF TORONTO
JEFFERSON COUNTY
DECEMBER 31, 2022

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

City of Toronto
Jefferson County
P.O. Box 189
Toronto, Ohio 43964

To the City Council:

Report on the Audit of the Financial Statements

Qualified and Unmodified 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 Toronto, Jefferson County, Ohio (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Street Maintenance and Repair Fund	Unmodified
Water Proprietary Fund	Qualified
Sewer Proprietary Fund	Qualified
Refuse Proprietary Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

Qualified Opinions on Governmental Activities, Business-Type Activities, and Proprietary Funds Water, Sewer, and Refuse

In our opinion, except for the effects of the matter described in the *Basis for Qualified and Unmodified Opinions* section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities, Business-Type Activities, and Proprietary Funds Water, Sewer and Refuse of the City, as of December 31, 2022, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Street Maintenance and Repair Fund, and the aggregate remaining fund information of the City of Toronto, Jefferson County, Ohio as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Street Maintenance and Repair funds for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified 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 qualified and unmodified audit opinions.

Matter Giving Rise to Qualified Opinions on Governmental Activities, Business-Type Activities, and Proprietary Funds Water, Sewer, and Refuse

The City has not maintained a capital asset listing to support the accuracy and completeness of reported capital assets, therefore, we are unable to rely on the beginning balances. The City does not have an accounting system in place to identify capital asset purchases, deletions, and depreciation expense and the City does not maintain an identification system for capitalized items. The amount by which this would affect the capital assets, net position, expenses and, where applicable, cash flows thereof, in the Governmental Activities, Business-Type Activities, Water Fund, Sewer Fund, and Refuse Fund cannot reasonably be determined. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Capital Assets are reported in the financial statements as described in the following table:

2022	Governmental Activities	Business-Type Activities	Water Fund	Sewer Fund	Refuse Fund	Total Capital Assets
Reported Capital Assets	$5,212,998	$19,753,532	$12,892,305	$6,718,271	$142,956	$24,966,530
Percent of Total Assets	71%	81%	81%	84%	45%	79%

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 April 15, 2024, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

April 15, 2024

The discussion and analysis of the City of Toronto's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2022. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2022 are as follows:

- In total, net position increased $1,850,995. Net position of governmental activities increased $371,895. Net position of business-type activities increased $1,479,100.

- Total capital assets increased $10,534 during 2022. Capital assets of governmental activities increased $149,308 and capital assets of business-type activities decreased $138,774.

- Outstanding debt decreased from $10,009,106 to $8,854,306.

Using this Annual Financial Report

This report is designed to allow the reader to look at the financial activities of the City of Toronto as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the City's operations, as they prefer.

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2022 and how they affected the operations of the City as a whole.

Reporting the City of Toronto as a Whole

Statement of Net Position and the Statement of Activities

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains 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. In the case of the City of Toronto, the general fund and the street maintenance and repair fund are by far the City's most significant governmental funds. Business-type major funds consist of the water, sewer and refuse funds.

A question typically asked about the City's finances is "How did we do financially during 2022?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net position* and *changes in net position*. This change in net position is important because it tells the reader that, for the City as a whole, the *financial position* of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, and other factors.

In the Statement of Net Position and the Statement of Activities, the City is divided into two distinct kinds of activities:

- Governmental Activities - Most of the City's programs and services are reported here, including general government, security of persons and property, public health, community development, leisure time activities and transportation.

- Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer and refuse major funds are reported as business activities.

Reporting the City of Toronto's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund and the street maintenance and repair fund.

Governmental Funds Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance future services. 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 Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match, except for the internal service fund allocations.

The City of Toronto as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2022 compared to 2021:

Table 1
Net Position

	Governmental Activities			Business-Type Activities		
	2022	2021	Change	2022	2021	Change
Assets						
Current & Other Assets	$ 2,031,776	$ 2,338,861	$ (307,085)	$ 4,350,678	$ 4,089,847	$ 260,831
Net Pension/OPEB Asset	116,206	57,558	58,648	181,756	93,912	87,844
Capital Assets	5,212,998	5,063,690	149,308	19,753,532	19,892,306	(138,774)
Total Assets	7,360,980	7,460,109	(99,129)	24,285,966	24,076,065	209,901
Deferred Outflows of Resources						
Pension & OPEB	1,266,331	781,028	485,303	299,636	216,619	83,017
Liabilities						
Current & Other Liabilities	502,913	542,132	(39,219)	189,705	156,257	33,448
Long-Term Liabilities:						
Due Within One Year	195,166	185,277	9,889	1,327,457	1,396,299	(68,842)
Due In More Than One Year:						
Net Pension Liability	2,876,555	3,404,491	(527,936)	503,498	771,834	(268,336)
Net OPEB Liability	448,203	455,605	(7,402)	-	-	-
Other Amounts	321,469	485,608	(164,139)	7,448,248	8,434,148	(985,900)
Total Liabilities	4,344,306	5,073,113	(728,807)	9,468,908	10,758,538	(1,289,630)
Deferred Inflows of Resources						
Property Taxes	214,104	199,857	14,247	-	-	-
Pension & OPEB	1,671,782	942,943	728,839	829,111	725,663	103,448
Total Deferred Inflows of Resources	1,885,886	1,142,800	743,086	829,111	725,663	103,448
Net Investment in Capital Assets	4,891,528	4,762,940	128,588	11,078,846	10,183,950	894,896
Restricted	429,957	727,112	(297,155)	-	-	-
Unrestricted	(2,924,366)	(3,464,828)	540,462	3,208,737	2,624,533	584,204
Total Net Position	$ 2,397,119	$ 2,025,224	$ 371,895	$ 14,287,583	$ 12,808,483	$ 1,479,100

The net pension liability (NPL) is one of the largest single liability reported by the City at December 31, 2022 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. In a prior year, the City adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which significantly revised accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting net OPEB asset and deferred outflows related to pension and OPEB.

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

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

Capital assets include land, a work of art, buildings, land improvements, equipment, vehicles, infrastructure, water and sewer lines, and construction in progress. 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 related 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 balance of unrestricted net position is a deficit balance.

For both governmental and business-type activities, the changes reflected in NPL, NOL, and deferred outflows/inflows of resources related to pension and OPEB are based on estimates at the plan level. For additional details on GASB 68 and 75, see aforementioned discussion.

Current and other assets for governmental activities decreased primarily due to decreases in cash and cash equivalents and intergovernmental receivable. Cash and cash equivalents decreased due to expenses for the Alexander Bridge and other various projects throughout the City. Intergovernmental receivable decreased due to a decrease in the grant receivable for the CHIP program.

The significant decrease in long term liabilities for other amounts was caused by principal payments made during the year.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2022 and 2021.

Table 2
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2022	2021	Change	2022	2021	Change
Revenues						
Program Revenues						
Charges for Services	$ 203,346	$ 165,710	$ 37,636	$ 5,599,193	$ 4,723,400	$ 875,793
Operating Grants	319,201	471,460	(152,259)	94,444	-	94,444
Capital Grants	-	73,506	(73,506)	-	-	-
Total Program Revenues	522,547	710,676	(188,129)	5,693,637	4,723,400	970,237
General Revenues						
Property Taxes	210,942	187,885	23,057	-	-	-
Income Taxes	2,764,433	1,396,639	1,367,794	-	-	-
Grants & Entitlements	420,824	195,867	224,957	-	-	-
Miscellaneous	90,256	31,184	7,868	350	-	350
Total General Revenues	3,556,090	1,862,779	1,693,311	350	-	350
Total Revenues	4,078,637	2,573,455	1,505,182	5,693,987	4,723,400	970,587
Program Expenses						
General Government	571,258	655,647	(84,389)	-	-	-
Security of Persons and Property	2,148,389	2,274,082	(125,693)	-	-	-
Public Health	93,540	19,443	74,097	-	-	-
Leisure Time Activities	226,822	198,900	27,922	-	-	-
Community and Economic Development	85,173	93,566	(8,393)	-	-	-
Transportation	689,104	774,480	(85,376)	-	-	-
Interest and Fiscal Charges	7,456	10,614	(3,158)	-	-	-
Enterprise Operations						
Water	-	-	-	2,451,634	2,123,225	328,409
Sewer	-	-	-	1,129,303	990,662	138,641
Refuse	-	-	-	518,950	447,358	71,592
Total Expenses	3,821,742	4,026,732	(204,990)	4,099,887	3,561,245	538,642
Transfers	115,000	(25,000)	140,000	(115,000)	25,000	(140,000)
Total General Revenues and Transfers	3,671,090	1,837,779	1,833,311	(114,650)	25,000	(139,650)
Change in Net Position	371,895	(1,478,277)	1,850,172	1,479,100	1,187,155	291,945
Net Position Beginning of Year	2,025,224	3,503,501	(1,478,277)	12,808,483	11,621,328	1,187,155
Net Position End of Year	$ 2,397,119	$ 2,025,224	$ 371,895	$ 14,287,583	$ 12,808,483	$ 1,479,100

The City's overall net position increased from the prior year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities

The funding for the governmental activities comes from several different sources, the most significant being the municipal income tax. Other prominent sources are property taxes, grants and entitlements and charges for services.

The City's income tax is at a rate of 2.0 percent. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 2.0 percent for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

Governmental revenue is comprised of program revenue and general revenue. General revenues include grants and entitlements, such as local government funds. Governmental activities are primarily funded with the combination of property tax, income tax and intergovernmental revenues. The City monitors its sources of revenues very closely for fluctuations.

Income taxes revenue increased primarily as a result of a reduction in tax refunds.

Business-Type Activities

Business-type activities include water, sewer and refuse operations. The revenues are generated primarily from charges for services which in 2022 accounted for all of the business type revenues.

Charges for services increased primarily due to increased billings for county water sales and increased billing rates.

The City's Funds

Governmental Funds

As noted earlier, the City's governmental funds are accounted for using the modified accrual method of accounting. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of the fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

The following table provides a summary of the City's fund balances by major fund for 2022 compared to 2021:

	Governmental Activities		
	Fund Balance 12/31/2022	**Fund Balance 12/31/2021**	**Increase (Decrease)**
General	$ 528,630	$ 401,266	$ 127,364
Street Maintenance & Repair	80,245	95,451	(15,206)
Other Governmental	130,959	444,419	(313,460)
Total	$ 739,834	$ 941,136	$ (201,302)

The general fund is the chief operating fund of the City. The fund balance of the general fund increased during the current fiscal year primarily due to an increase in income taxes as previously discussed.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for the business-type activities, but in more detail.

The following table provides a summary of the City's unrestricted net position by major proprietary fund for 2022 compared to 2021:

	Business-Type Activities		
	Unrestricted Net Position 12/31/2022	**Unrestricted Net Position 12/31/2021**	**Increase (Decrease)**
Water	$ 2,442,489	$ 1,770,083	$ 672,406
Sewer	981,793	937,053	44,740
Refuse	(76,417)	(72,393)	(4,024)
	$ 3,347,865	$ 2,634,743	$ 713,122

Total change in net position for these funds was primarily due to normal operations. Other factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

General Fund Budgeting Highlights

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

During the course of 2022, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

Original Budget Compared to Final Budget During the year, the most significant amendments to the City's budgeted revenues was to increase estimated income taxes, as previously discussed. There were no significant amendments to budgeted expenditures.

Final Budget Compared to Actual Results During the year, there were no significant variances between actual revenues and final budgeted revenues, with the exception of income taxes, which were lower than anticipated and due to a large refund issued in prior year. A review of actual expenditures compared to the final budgeted appropriations yielded no significant variances in expenditures, with the exception of security of persons and property, which was lower than anticipated due to conservative spending.

The significant variances within other financing sources and uses were due to increased transfers. Transfers in was higher primarily due to the transfer of excess fund from the Titanium Way Bridge fund. Transfers out primarily due to the transfer of funds to the Jefferson Health Plan and Aleander Street Bridge funds to provide for operating and project expenses.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities as of December 31, 2022, amounts to approximately $5.2 million (net of accumulated depreciation), an increase in comparison with the prior fiscal year-end. This increase represents the current year acquisitions exceeded depreciation in addition to an increase in construction in progress, primarily for the Alexander Street Bridge project.

The City's investment in capital assets for its business-type activities as of December 31, 2022, amounts to approximately $19.8 million (net of accumulated depreciation), a decrease in comparison with the prior fiscal year-end. This decrease represents the current year depreciation exceeded capital acquisitions

See Note 8 for detailed information about the capital assets of the City.

Debt

As of December 31, 2022, the City had total governmental debt outstanding of $179,958, a decrease in comparison with the prior fiscal year-end. This decrease represents the amount of current year principal payments made.

As of December 31, 2022, the City had total business-type debt outstanding of approximately $8.7 million, a decrease in comparison with the prior fiscal year-end. This decrease represents the amount in which current year principal reduction payments exceeded current year loan additions.

See Note 14 for detailed information on the City's outstanding debt.

Current Financial Issues

The City had an unencumbered cash balance of $108,630 at December 31, 2022 in the general fund.

The City has a 2 percent wage income tax, which when added together with revenue from grants, enabled the City to complete various capital improvements during the current year.

The City sells water to Jefferson County and the revenue from these water sales totaled $2,232,630.

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 any questions about this report or need additional financial information, contact Kayla Whitlatch, Auditor of City of Toronto, 416 Clark Street, P.O. Box 189, Toronto, Ohio 43964, telephone 740-537-4505 or email tauditor@brdband.com.

City of Toronto
Jefferson County, Ohio
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	$ 508,633	$ 3,490,134	$ 3,998,767
Cash and Cash Equivalents in Segregated Accounts	32,023	-	32,023
Cash and Cash Equivalents with Fiscal Agents	43,650	-	43,650
Accounts Receivable	-	806,976	806,976
Intergovernmental Receivable	264,520	-	264,520
Taxes Receivable	960,060	-	960,060
Internal Balances	139,128	(139,128)	-
Prepaid Items	39,159	55,564	94,723
Materials and Supplies Inventory	44,603	64,262	108,865
Restricted Assets	-		
Restricted Cash and Cash Equivalents	-	72,870	72,870
Net OPEB Asset	116,206	181,756	297,962
Non-Depreciable Capital Assets	873,478	3,080,380	3,953,858
Depreciable Capital Assets, net	4,339,520	16,673,152	21,012,672
Total Assets	7,360,980	24,285,966	31,646,946
Deferred Outflows of Resources			
Pension	1,013,568	286,627	1,300,195
OPEB	252,763	13,009	265,772
Total Deferred Outflows of Resources	1,266,331	299,636	1,565,967
Liabilities			
Accounts Payable	54,025	104,460	158,485
Contracts Payable	141,511	-	141,511
Intergovernmental Payable	31,316	12,375	43,691
Claims Payable	216,006	-	216,006
Customer Deposits	-	72,870	72,870
Unearned Revenue	60,055	-	60,055
Long-Term Liabilities:			
Due Within One Year	195,166	1,327,457	1,522,623
Due In More Than One Year:			
Net Pension Liability	2,876,555	503,498	3,380,053
Net OPEB Liability	448,203	-	448,203
Other Amounts Due in More Than One Year	321,469	7,448,248	7,769,717
Total Liabilities	4,344,306	9,468,908	13,813,214
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	214,104	-	214,104
Pension	1,374,450	627,209	2,001,659
OPEB	297,332	201,902	499,234
Total Deferred Inflows of Resources	1,885,886	829,111	2,714,997
Net Position			
Net Investment in Capital Assets	4,891,528	11,078,846	15,970,374
Restricted for:			
Capital Projects	82,910	-	82,910
Other Purposes	347,047	-	347,047
Unrestricted	(2,924,366)	3,208,737	284,371
Total Net Position	$ 2,397,119	$ 14,287,583	$ 16,684,702

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Activities
For the Year Ended December 31, 2022

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government	$ 571,258	$ 35,787	$ 245	$ (535,226)	$ -	$ (535,226)
Security of Persons and Property	2,148,389	30,040	3,160	(2,115,189)	-	(2,115,189)
Public Health	93,540	38,775	-	(54,765)	-	(54,765)
Leisure Time Activities	226,822	98,744	10,460	(117,618)	-	(117,618)
Community and Economic Development	85,173	-	23,278	(61,895)	-	(61,895)
Transportation	689,104	-	282,058	(407,046)	-	(407,046)
Debt Service						
Interest and Fiscal Charges	7,456	-	-	(7,456)	-	(7,456)
Total Governmental Activities	3,821,742	203,346	319,201	(3,299,195)	-	(3,299,195)
Business-Type Activities						
Water	2,451,634	3,693,842	15,622	-	1,257,830	1,257,830
Sewer	1,129,303	1,417,914	78,822	-	367,433	367,433
Refuse	518,950	487,437	-	-	(31,513)	(31,513)
Total Business-Type Activities	4,099,887	5,599,193	94,444	-	1,593,750	1,593,750
Total	$ 7,921,629	$ 5,802,539	$ 413,645	(3,299,195)	1,593,750	(1,705,445)

	Governmental Activities	Business-Type Activities	Total
General Revenues			
Property Taxes Levied for:			
General Purposes	157,440	-	157,440
Parks and Recreation	12,428	-	12,428
Police and Fire	41,074	-	41,074
Income Taxes Levied for:			
General Purposes	2,764,433	-	2,764,433
Grants and Entitlements not Restricted to Specific Programs	178,113	-	178,113
Grants and Entitlements - ARPA	242,711	-	242,711
Other Local Taxes	48,501	-	48,501
Insurance Recoveries	69,635	-	69,635
Investment Earnings	867	-	867
Miscellaneous	40,888	350	41,238
Total General Revenues	3,556,090	350	3,556,440
Transfers	115,000	(115,000)	-
Total General Revenues and Transfers	3,671,090	(114,650)	3,556,440
Change in Net Position	371,895	1,479,100	1,850,995
Net Position Beginning of Year	2,025,224	12,808,483	14,833,707
Net Position End of Year	$ 2,397,119	$ 14,287,583	$ 16,684,702

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Balance Sheet
Governmental Funds
December 31, 2022

	General	Street Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$ 217,537	$ 7,367	$ 283,729	$ 508,633
Cash and Cash Equivalents in Segregated Accounts	-	-	32,023	32,023
Intergovernmental Receivable	91,552	144,993	27,975	264,520
Taxes Receivable	896,663	-	63,397	960,060
Prepaid Items	30,198	8,961	-	39,159
Materials and Supplies Inventory	-	44,603	-	44,603
Total Assets	$ 1,235,950	$ 205,924	$ 407,124	$ 1,848,998
Liabilities				
Accounts Payable	$ 38,902	$ 1,572	$ 13,551	$ 54,025
Contracts Payable	52,000	-	89,511	141,511
Intergovernmental Payable	3,294	2,673	25,349	31,316
Unearned Revenue	-	-	60,055	60,055
Total Liabilities	94,196	4,245	188,466	286,907
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	160,121	-	53,983	214,104
Unavailable Revenue	453,003	121,434	33,716	608,153
Total Deferred Inflows of Resources	613,124	121,434	87,699	822,257
Fund Balances				
Nonspendable	32,733	53,564	-	86,297
Restricted	-	26,681	134,798	161,479
Committed	106,378	-	-	106,378
Assigned	-	-	8,691	8,691
Unassigned	389,519	-	(12,530)	376,989
Total Fund Balance	528,630	80,245	130,959	739,834
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,235,950	$ 205,924	$ 407,124	$ 1,848,998

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2022

Total Governmental Fund Balances		$ 739,834
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,212,998
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	$ 17,743	
Income Tax	360,882	
Intergovernmental	229,528	608,153
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets, liabilities, deferred outflows/inflows of resources of the internal service fund are included in governmental activities in the statement of net position.		(33,228)
The net pension liability and net OPEB liability/asset are not due and payable in the current period, therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Net OPEB Asset	116,206	
Deferred Outflows - Pension	1,013,568	
Deferred Outflows - OPEB	252,763	
Net Pension Liability	(2,876,555)	
Net OPEB Liability	(448,203)	
Deferred Inflows - Pension	(1,374,450)	
Deferred Inflows - OPEB	(297,332)	(3,614,003)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Installment Loans Payable	(110,305)	
Lease Purchase	(69,653)	
Compensated Absences	(336,677)	(516,635)
Net Position of Governmental Activities		$ 2,397,119

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022

	General	Street Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	$ 155,851	$ -	$ 52,741	$ 208,592
Income Taxes	2,858,230	-	-	2,858,230
Other Local Taxes	-	-	48,501	48,501
Charges for Services	-	-	103,369	103,369
Licenses and Permits	35,787	-	-	35,787
Fines and Forfeitures	30,040	-	-	30,040
Intergovernmental	179,686	297,336	326,051	803,073
Investment Income	650	-	50	700
Contributions and Donations	245	-	-	245
Miscellaneous	62,433	-	12,605	75,038
Total Revenues	3,322,922	297,336	543,317	4,163,575
Expenditures				
Current:				
General Government	677,517	-	17,343	694,860
Security of Persons and Property	1,818,466	-	278,247	2,096,713
Public Health	26,515	-	67,025	93,540
Leisure Time Activities	13,500	-	173,330	186,830
Community and Economic Development	-	-	102,193	102,193
Transportation	58,757	424,542	262,936	746,235
Capital Outlay	824	-	263,068	263,892
Debt Service:				
Principal Retirement	120,793	-	-	120,793
Interest and Fiscal Charges	7,456	-	-	7,456
Total Expenditures	2,723,828	424,542	1,164,142	4,312,512
Excess of Revenues Over (Under) Expenditures	599,094	(127,206)	(620,825)	(148,937)
Other Financing Sources (Uses)				
Insurance Recoveries	-	-	69,635	69,635
Transfers In	350,961	112,000	458,691	921,652
Transfers Out	(822,691)	-	(220,961)	(1,043,652)
Total Other Financing Sources (Uses)	(471,730)	112,000	307,365	(52,365)
Net Change in Fund Balances	127,364	(15,206)	(313,460)	(201,302)
Fund Balances Beginning of Year	401,266	95,451	444,419	941,136
Fund Balances End of Year	$ 528,630	$ 80,245	$ 130,959	$ 739,834

See accompanying notes to the basic financial statements.

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

Net Change in Fund Balances - Total Governmental Funds		$ (201,302)
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 activites, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	$ 485,135	
Current Year Depreciation	(325,327)	159,808
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(10,500)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	2,349	
Income Tax	(93,797)	
Intergovernmental	(63,342)	(154,790)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Loans Payable	52,904	
Lease Purchase	67,888	120,792
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	335,688	
OPEB	6,293	341,981
Except for amount reported as deferred inflows/outflows, changes in the net pension/OPEB liability/asset are reported as pension/OPEB expense in the statement of activities.		
Pension	(62,434)	
OPEB	70,903	8,469
The internal service fund used by management to charge the costs of insurance to invidiual funds is not reported in the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		73,979
Some expenses reported in the statement of activities, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated Absences		33,458
Change in Net Position of Governmental Activities		$ 371,895

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Property Taxes	$ 171,670	$ 195,267	$ 155,851	$ (39,416)
Income Taxes	2,840,168	3,172,102	2,578,446	(593,656)
Licenses and Permits	39,420	63,001	35,787	(27,214)
Fines and Forfeitures	33,089	45,094	30,040	(15,054)
Intergovernmental	197,583	172,260	179,376	7,116
Investment Income	716	2,080	650	(1,430)
Contributions and Donations	270	30	245	215
Miscellaneous	2,977	8,332	62,433	54,101
Total Revenues	3,285,893	3,658,166	3,042,828	(615,338)
Expenditures				
Current:				
General Government	788,252	710,420	613,175	97,245
Security of Persons and Property	2,003,475	2,029,326	1,813,434	215,892
Public Health	24,500	27,500	26,515	985
Leisure Time Activities	-	13,500	13,500	-
Transportation	-	63,508	63,508	-
Capital Outlay	-	824	824	-
Debt Service:				
Principal Retirement	120,793	120,793	120,793	-
Interest and Fiscal Charges	7,976	7,976	7,456	520
Total Expenditures	2,944,996	2,973,847	2,659,205	314,642
Excess of Receipts Over (Under) Expenditures	340,897	684,319	383,623	(300,696)
Other Financing Sources (Uses)				
Transfers In	386,585	43,162	350,961	307,799
Transfers Out	(535,000)	(542,000)	(822,691)	(280,691)
Total Other Financing Sources (Uses)	(148,415)	(498,838)	(471,730)	27,108
Net Change in Fund Balance	192,482	185,481	(88,107)	(273,588)
Fund Balance Beginning of Year	196,737	196,737	196,737	-
Fund Balance End of Year	$ 389,219	$ 382,218	$ 108,630	$ (273,588)

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
Street Maintenance & Repair Fund
For the Year Ended December 31, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Intergovernmental	$ 370,783	$ 335,459	$ 298,296	$ (37,163)
Miscellaneous	-	15,000	-	(15,000)
Total Revenues	370,783	350,459	298,296	(52,163)
Expenditures				
Current:				
Transportation	548,050	548,050	422,418	125,632
Excess of Receipts Over (Under) Expenditures	(177,267)	(197,591)	(124,122)	73,469
Other Financing Sources (Uses)				
Transfers In	139,217	159,541	112,000	(47,541)
Net Change in Fund Balance	(38,050)	(38,050)	(12,122)	25,928
Fund Balance Beginning of Year	19,487	19,487	19,487	-
Fund Balance End of Year	$ (18,563)	$ (18,563)	$ 7,365	$ 25,928

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2022

	Enterprise Funds					Governmental Activities
	Water	Sewer	Refuse	Nonmajor Enterprise Fund	Total	Internal Service Fund
Assets						
Current Assets:						
Equity in Pooled Cash and Investments	$ 2,521,174	$ 940,159	$ 28,801	$ -	$ 3,490,134	$ -
Cash and Investments with Fiscal Agents	-	-	-	-	-	43,650
Accounts Receivable	434,626	287,048	85,302	-	806,976	-
Prepaid Items	24,221	14,331	17,012	-	55,564	-
Materials and Supplies Inventory	56,152	8,110	-	-	64,262	-
Total Current Assets	3,036,173	1,249,648	131,115	-	4,416,936	43,650
Non-Current Assets:						
Restricted Assets:						
Equity in Pooled Cash and Investments	-	-	-	72,870	72,870	-
Net OPEB Asset	83,429	53,633	44,694	-	181,756	-
Non-Depreciable Capital Assets	1,249,021	1,831,359	-	-	3,080,380	-
Depreciable Capital Assets, Net	11,643,284	4,886,912	142,956	-	16,673,152	-
Total Non-Current Assets	12,975,734	6,771,904	187,650	72,870	20,008,158	-
Total Assets	16,011,907	8,021,552	318,765	72,870	24,425,094	43,650
Deferred Outflows of Resources						
Pension	112,585	96,224	77,818	-	286,627	-
OPEB	1,909	4,488	6,612	-	13,009	-
Total Deferred Outflows of Resources	114,494	100,712	84,430	-	299,636	-
Liabilities						
Current Liabilities:						
Accounts Payable	85,134	10,697	8,629	-	104,460	-
Intergovernmental Payable	5,437	3,185	3,753	-	12,375	-
Claims Payable	-	-	-	-	-	216,006
Compensated Absences Payable	12,258	2,133	4,299	-	18,690	-
Capital Leases Payable	-	-	31,285	-	31,285	-
OPWC Loans Payable	6,500	-	-	-	6,500	-
OWDA Loans Payable	1,002,923	268,059	-	-	1,270,982	-
Total Current Liabilities	1,112,252	284,074	47,966	-	1,444,292	216,006
Long-Term Liabilities:						
Refundable Deposits	-	-	-	72,870	72,870	-
Compensated Absences Payable - Net of Current Portion	70,892	11,776	-	-	82,668	-
Capital Leases Payable - Net of Current Portion	-	-	56,036	-	56,036	-
OPWC Loans Payable - Net of Current Portion	143,000	-	-	-	143,000	-
OWDA Loans Payable - Net of Current Portion	4,103,085	3,063,459	-	-	7,166,544	-
Net Pension Liability	231,114	148,573	123,811	-	503,498	-
Total Long-Term Liabilities	4,548,091	3,223,808	179,847	72,870	8,024,616	-
Total Liabilities	5,660,343	3,507,882	227,813	72,870	9,468,908	216,006
Deferred Inflows of Resources						
Pension	291,331	185,893	149,985	-	627,209	-
OPEB	95,442	60,281	46,179	-	201,902	-
Total Deferred Inflows of Resources	386,773	246,174	196,164	-	829,111	-
Net Position						
Net Investment in Capital Assets	7,636,796	3,386,415	55,635	-	11,078,846	-
Unrestricted	2,442,489	981,793	(76,417)	-	3,347,865	(172,356)
Total Net Position	$ 10,079,285	$ 4,368,208	$ (20,782)	$ -	14,426,711	$ (172,356)

Some amounts reports for business-type activities in the statement of net position are different because internal service fund assets and liabilities are included with business-type activities.	(139,128)
Net Position of Business-Type Activities	$ 14,287,583

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2022

	Enterprise					Governmental Activities
	Water	Sewer	Refuse	Nonmajor Enterprise Fund	Total	Internal Service Fund
Operating Revenues						
Charges for Services	$ 3,693,842	$ 1,417,914	$ 487,437	$ -	$ 5,599,193	$ 872,260
Other	-	-	350	-	350	25,671
Total Operating Revenues	3,693,842	1,417,914	487,787	-	5,599,543	897,931
Operating Expenses						
Personal Services	641,888	471,474	242,134	-	1,355,496	-
Contractual Services	633,912	239,977	226,313	-	1,100,202	242,556
Materials and Supplies	579,780	119,583	5,445	-	704,808	-
Claims	-	-	-	-	-	947,531
Depreciation	389,494	190,599	33,230	-	613,323	-
Total Operating Expenses	2,245,074	1,021,633	507,122	-	3,773,829	1,190,087
Operating Income (Loss)	1,448,768	396,281	(19,335)	-	1,825,714	(292,156)
Non-Operating Revenues (Expenses)						
Intergovernmental	15,622	78,822	-	-	94,444	-
Interest	-	-	-	-	-	217
Interest and Fiscal Charges	(146,686)	(48,507)	(1,947)	-	(197,140)	-
Total Non-Operating Revenues (Expenses)	(131,064)	30,315	(1,947)	-	(102,696)	217
Income (Loss) Before Transfers	1,317,704	426,596	(21,282)	-	1,723,018	(291,939)
Transfers In	-	-	15,000	-	15,000	237,000
Transfers Out	-	(130,000)	-	-	(130,000)	-
Change in Net Position	1,317,704	296,596	(6,282)	-	1,608,018	(54,939)
Net Position Beginning of Year	8,761,581	4,071,612	(14,500)	-		(117,417)
Net Position End of Year	$ 10,079,285	$ 4,368,208	$ (20,782)	$ -		$ (172,356)

Some amounts reports for business-type activities in the statement of net position are different because internal service fund assets and liabilities are included with business-type activities.	
Net Position of Business-Type Activities	(128,918)
	$ 1,479,100

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Enterprise Funds					Governmental Activities
	Water	Sewer	Refuse	Nonmajor Enterprise Fund	Total	Internal Service Fund
Cash Flows from Operating Activities						
Cash Received from Customers	$ 3,684,950	$ 1,403,899	$ 478,850	$ -	$ 5,567,699	$ 872,260
Cash Received from Other Operating Receipts	-	-	350	12,800	13,150	25,671
Cash Payments to Suppliers for Goods and Services	(504,030)	(120,760)	(5,535)	-	(630,325)	-
Cash Payments to Employees for Services and Benefits	(857,032)	(565,103)	(318,199)	-	(1,740,334)	-
Cash Payments for Contractual Services	(594,827)	(242,112)	(226,721)	(13,835)	(1,077,495)	(242,556)
Cash Payments for Claims	-	-	-	-	-	(900,440)
Net Cash Provided by (Used for) Operating Activities	1,729,061	475,924	(71,255)	(1,035)	2,132,695	(245,065)
Cash Flows from Noncapital Financing Activities						
Transfers In	-	-	15,000	-	15,000	237,000
Transfers Out	-	(130,000)	-	-	(130,000)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	-	(130,000)	15,000	-	(115,000)	237,000
Cash Flows from Capital and Related Financing Activities						
Intergovernmental Revenue	15,622	78,822	-	-	94,444	-
Proceeds of OWDA Loans	220,436	108,261	-	-	328,697	-
Acquisition of Capital Assets	(273,494)	(201,055)	-	-	(474,549)	-
Principal Payments on Debt	(981,735)	(349,999)	(30,972)	-	(1,362,706)	-
Interest Payments on Debt	(146,686)	(68,728)	(1,947)	-	(217,361)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(1,165,857)	(432,699)	(32,919)	-	(1,631,475)	-
Cash Flows from Investing Activities						
Interest	-	-	-	-	-	217
Net Increase (Decrease) in Cash and Cash Equivalents	563,204	(86,775)	(89,174)	(1,035)	386,220	(7,848)
Cash and Cash Equivalents Beginning of Year	1,957,970	1,026,934	117,975	73,905	3,176,784	51,498
Cash and Cash Equivalents End of Year	$ 2,521,174	$ 940,159	$ 28,801	$ 72,870	$ 3,563,004	$ 43,650
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities						
Operating Income (Loss)	$ 1,448,768	$ 396,281	$ (19,335)	$ -	$ 1,825,714	$ (292,156)
Adjustments:						
Depreciation	389,494	190,599	33,230	-	613,323	-
(Increase) Decrease in Assets and Deferred Outflows:						
Accounts Receivable	(8,892)	(34,236)	(8,587)	-	(51,715)	-
Prepaid Items	(1,692)	(1,000)	(1,188)	-	(3,880)	-
Materials and Supplies Inventory	52,732	(666)	-	-	52,066	-
Accounts Receivable	-	20,221	-	-	20,221	-
Net OPEB Asset	(37,988)	(27,883)	(21,973)	-	(87,844)	-
Deferred Outflows - Pension/OPEB	(29,039)	(39,062)	(14,916)	-	(83,017)	-
Increase (Decrease) in Liabilities and Deferred Inflows:						
Accounts Payable	35,325	(1,646)	690	-	34,369	-
Intergovernmental Payable	(290)	119	285	-	114	-
Refund Payable	-	-	-	(1,035)	(1,035)	-
Claims Payable	-	-	-	-	-	47,091
Compensated Absences Payable	(6,203)	(9,630)	(4,900)	-	(20,733)	-
Deferred Inflows - Pension/OPEB	29,200	45,886	28,362	-	103,448	-
Net Pension Liability	(142,354)	(63,059)	(62,923)	-	(268,336)	-
Net Cash Provided by (Used For) Operating Activities	$ 1,729,061	$ 475,924	$ (71,255)	$ (1,035)	$ 2,132,695	$ (245,065)

See accompanying notes to the basic financial statements.

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

The City of Toronto (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City Council is composed of eight members, four of whom are elected by their respective electors within their designated wards. Three councilmen at large and a council president are elected by the City at large. The City provides the following services: police and fire protection, water, wastewater and sanitation utilities, parks and recreation, health services, street maintenance, building inspection and development. Management believes the financial statements included in this report represent all of the funds of the City over which the City has the ability to exercise direct operating control.

Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments, and organizations making up the City (the primary government) and its potential component units consistent with Government Accounting Standards Board Statements No. 14, *The Financial Reporting Entity,* No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14,* and No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34.*

The City provides various services including police, parks and recreation, planning, zoning, street construction, maintenance and repair, water, sewer and refuse services, and general administrative services. The operation of these activities is directly controlled by Council through the budgetary process. None of these services are provided by a legally separate organization; therefore these operations are included in the primary government.

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

The City is involved with the following jointly governed organizations.

Ohio Mid-Eastern Governments Association

Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The Mayor of the City of Toronto serves as the City's representative on the board; however, the City is not active. Each member currently pays a per capita membership fee based upon the most recent United States census. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists.

Jefferson-Belmont Joint Solid Waste Authority

Jefferson-Belmont Joint Solid Waste Authority (the Authority) was established by State statutes and is operated to provide solid waste services to Jefferson and Belmont counties. The Authority is governed by a fourteen member board of directors of which the Mayor of the City of Toronto is a member. The Authority is not dependent on the City of Toronto for its continued existence, no debt exists, and the City does not maintain an equity interest.

The City also participates the Jefferson Health Plan, a risk sharing, claims servicing and insurance purchasing pool. Additional information concerning the Jefferson Health Plan is presented in Note 12.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The most significant of the City's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The activity of the internal service fund is also eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

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

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

B. Fund Accounting

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

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

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

> ***Street Maintenance & Repair Fund*** **–** The street maintenance and repair special revenue fund is required by the Ohio Revised Code to account for state gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

The other governmental funds of the City account for grants and other resources to which the City is bound to observe constraints imposed upon the use of the resources.

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following are the City's proprietary fund types:

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The water, sewer and refuse funds are the City’s major enterprise funds.

> ***Water Fund*** – The water fund accounts for the provision of water service to the residents and commercial users located within the City.

> ***Sewer Fund*** **–** The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

> ***Refuse Fund*** – The refuse fund accounts for the provision of trash disposal for the residents and commercial users located within the City.

The other enterprise fund of the City accounts for activity related to customer utility deposits.

Internal Service Fund – Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City’s internal service fund accounts for the City’s self-insurance program providing medical, surgical and dental insurance to its employees. The City participates in the Jefferson Health Plan, as described in Note 12.

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 5). Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2022, but which were levied to finance 2023 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue may include delinquent property taxes, income taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 10 and 11).

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Cash and Cash Equivalents

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

Investments are reported at fair value, with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost. Investment procedures are restricted by the provisions of the Ohio Revised Code.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are presented on the financial statements as "equity in pooled cash and cash equivalents." Investments with an original maturity of more than three months that are not made from the pool are reported as "investments." The City has no investments.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented on the statement of net position, the balance sheet, and the statement of fund net position - proprietary funds as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the City's treasury.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2022 amounted to $650, which includes $625 assigned from other City funds.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2022 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure/expense is reported in the year in which services are consumed.

G. Materials and Supplies Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expended/expensed when used.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Customer deposits have been restricted in the enterprise funds because the deposit remains the property of the customer. The restricted asset account is balanced by a customer deposits liability account.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. Donated capital assets received prior to the implementation of GASB 72 are recorded at fair value. The City maintains a capitalization threshold of $5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	25-50 Years	50 Years
Land Improvements	15-50 Years	15-50 Years
Equipment	10-25 Years	10-25 Years
Vehicles	8-40 Years	10-20 Years
Infrastructure	25 Years	50-100 Years

The City's infrastructure consists of roads, bridges, curbs and gutters, sidewalks, drainage systems, lighting systems and water and sewer lines. The City did not record general infrastructure assets in governmental activities prior to December 31, 2002. Improvements to infrastructure that extends the life of the asset will be capitalized and depreciation expense will be recorded after December 31, 2002.

J. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund balance amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-term Obligations

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

M. Pensions/Other Post Employment Benefits (OPEB)

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

N. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of 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 or resolution, as both are equally binding) of City Council. Those committed amounts cannot be used for any other purpose unless Council removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City. The City has by resolution authorized the Auditor to assign fund balance. The City may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. State statute authorizes the City Auditor to assign fund balance for purchases on order provided such 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.

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

O. Net Position

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

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

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer and refuse services and self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

Q. Interfund Activity

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

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2022.

S. 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.

T. Budgetary Data

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

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

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

U. Contributions of Capital

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

V. Implementation of New Accounting Principles

For the year ended December 31, 2022, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 87, ***Leases***, GASB Statement No. 91, ***Conduit Debt Obligations***, GASB Statement No. 92, ***Omnibus 2020***, a certain provision of GASB Statement No. 93, ***Replacement of Interbank Offered Rates,*** certain provisions of GASB Statement No. 97***, Component Unit Criteria and Deferred Compensation Plans,*** and certain provisions of GASB Statement No. 99***, Omnibus 2022.***

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. These changes were incorporated in the City's 2022 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the City.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the City.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of paragraph 11b of GASB Statement No. 93 did not have an effect on the financial statements of the City.

GASB Statement No. 97 results in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The implementation of certain provisions of GASB Statement No. 97 (all except paragraphs 4 and 5) did not have an effect on the financial statements of the City.

GASB Statement No. 99 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of certain provisions of GASB Statement No. 99 that relate to extension of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, and pledges of future revenues by pledging governments, did not have an effect on the financial statements of the City.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund and street maintenance and repair fund 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 the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Some funds are included in the general fund, (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the street maintenance and repair fund.

Net Change in Fund Balance

	General Fund	Street Maintenance and Repair Fund
GAAP Basis	$ 127,364	$ (15,206)
Net Adjustment for Revenue Accruals	(280,094)	960
Net Adjustment for Expenditure Accruals	64,623	2,124
Budget Basis	$ (88,107)	$ (12,122)

* As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes unclaimed monies, police severance and fire severance funds.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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, Government National Mortgage Association, and Student Loan Marketing 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 market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

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

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

7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days and two hundred and seventy days, respectively, from the purchase date in any amount not to exceed forty percent of the interim monies available for investment at any one time; and

8. Under limited circumstances, corporate note interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits with Financial Institutions

Deposits - At year-end, $4,057,930 of the City's bank balance of $4,383,430 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the City's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party.

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

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

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

Segregated Cash and Cash with Fiscal Agents

The CHIP fund is maintained separately from the City's deposits. The carrying amounts of the deposits are reported as "Cash and Cash Equivalents in Segregated Accounts."

The City participates in the Jefferson Health Plan for employee benefits. The amount held at fiscal year-end for the employee benefit self-insurance fund was $43,650 and is reported as "Cash and Cash Equivalents with Fiscal Agents." All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

NOTE 5 - PROPERTY TAXES

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

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

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

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

The full tax rate for all City operations for the year ended December 31, 2022, was $3.40 per $1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2022 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	$ 70,351,010
Public Utilities - Real	26,120
Public Utilities - Personal	6,932,570
Total Assessed Value	$ 77,309,700

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

NOTE 6 - RECEIVABLES

Receivables at December 31, 2022 consisted of taxes, accounts (billings for user charged services including unbilled utility services), and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

NOTE 7 – INCOME TAX

The City levies a municipal income tax of 2.0 percent on gross salaries, wages and other personal service compensation earned by residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted a credit up to 2.0 percent for taxes paid to other municipalities.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individuals are required to pay their estimated tax quarterly and file a declaration annually. Income tax revenues are credited to the General Fund, monies are then transferred to the Street Maintenance and Repair, Police Pension, Fire Pension, and Recreation Special Revenue Funds, the Capital Improvement Capital Projects Fund and the Refuse Enterprise Fund.

NOTE 8 – CAPITAL ASSETS

A summary of changes in capital assets during 2022 follows:

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 140,000	$ 52,000	$ -	$ 192,000
Work of Art	17,500	-	-	17,500
Construction in Progress	446,340	217,638	-	663,978
Total Capital Assets Not Being Depreciated	603,840	269,638	-	873,478
Capital Assets, Being Depreciated:				
Buildings	1,800,624	-	(50,000)	1,750,624
Land Improvements	1,585,099	17,088	-	1,602,187
Equipment	789,842	43,992	-	833,834
Vehicles	2,386,303	-	-	2,386,303
Infrastructure	3,060,449	154,417	-	3,214,866
Total Capital Assets, Being Depreciated	9,622,317	215,497	(50,000)	9,787,814
Less Accumulated Depreciation:				
Buildings	(850,450)	(42,848)	39,500	(853,798)
Land Improvements	(1,256,967)	(32,697)	-	(1,289,664)
Equipment	(547,393)	(52,795)	-	(600,188)
Vehicles	(1,331,920)	(72,097)	-	(1,404,017)
Infrastructure	(1,175,737)	(124,890)	-	(1,300,627)
Total Accumulated Depreciation	(5,162,467)	(325,327) *	39,500	(5,448,294)
Total Capital Assets Being Depreciated, Net	4,459,850	(109,830)	(10,500)	4,339,520
Total Governmental Activities Capital Assets, Net	$ 5,063,690	$ 159,808	$ (10,500)	$5,212,998

*Depreciation expense was charged to governmental functions as follows:

General Government	$ 27,623
Leisure Time Services	50,323
Security of Persons and Property	146,680
Transportation	98,718
Community and Economic Development	1,983
Total	$ 325,327

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 43,904	$ -	$ -	$ 43,904
Construction in Progress	2,659,492	376,984	-	3,036,476
Total Capital Assets Not Being Depreciated	2,703,396	376,984	-	3,080,380
Capital Assets, Being Depreciated:				
Buildings	14,859,493	26,767	-	14,886,260
Improvements	1,862,640	40,000	-	1,902,640
Equipment	2,845,183	30,798	-	2,875,981
Vehicles	1,265,481	-	-	1,265,481
Infrastructure				
Water Lines	4,870,751	-	-	4,870,751
Sewer Lines	1,370,546	-	-	1,370,546
Total Capital Assets, Being Depreciated	27,074,094	97,565	-	27,171,659
Less Accumulated Depreciation:				
Buildings	(4,382,822)	(298,989)	-	(4,681,811)
Improvements	(442,717)	(33,923)	-	(476,640)
Equipment	(2,363,308)	(78,858)	-	(2,442,166)
Vehicles	(867,253)	(78,832)	-	(946,085)
Infrastructure				
Water Lines	(1,450,348)	(97,415)	-	(1,547,763)
Sewer Lines	(378,736)	(25,306)	-	(404,042)
Total Accumulated Depreciation	(9,885,184)	(613,323)	-	(10,498,507)
Total Capital Assets Being Depreciated, Net	17,188,910	(515,758)	-	16,673,152
Total Business-Type Activities Capital Assets, Net	$ 19,892,306	$ (138,774)	$ -	$19,753,532

NOTE 9 - RISK MANAGEMENT

The City is exposed to various risks of property and casualty losses, and injuries to employees.

The City pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs to provide coverage to employees for job and other related injuries.

Risk Pool Membership

The City is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the City's policy. The Pool covers the risks of general liability and casualty, public official's liability, cyber, law enforcement liability, automobile liability, vehicles, property, and equipment breakdown.

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2022
Cash and Investments	$ 42,310,794
Actuarial Liabilities	$ 15,724,479

NOTE 10 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

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

The remainder of this note includes the pension disclosures. See Note 11 for the OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2022, the Combined Plan is no longer available for member selection. Substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests upon receipt of the initial benefit payment.

When a benefit recipient has received benefits for 12 months, the member is eligible for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those who retired prior to January 7, 2013, the cost-of-living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $197,621 for 2022. Of this amount, $18,527 is reported as an intergovernmental payable.

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

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

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

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

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

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

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

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

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

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $258,616 for 2022. Of this amount, $24,578 is reported as an intergovernmental payable.

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

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

	OPERS	OP&F	Total
Proportion of the Net Pension Liability:			
Current Measurement Period	0.009487%	0.040891%	
Prior Measurement Period	0.008407%	0.043001%	
Change in Proportion	0.001080%	-0.002110%	
Proportionate Share of the Net Pension Liability	$ 825,407	$ 2,554,646	$ 3,380,053
Pension Expense	$ (81,947)	$ 93,139	$ 11,192

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 42,078	$ 73,658	$ 115,736
Changes of Assumptions	103,217	466,878	570,095
Changes in Proportionate Share and Differences in Contributions	139,975	18,152	158,127
City Contributions Subsequent to the Measurement Date	197,621	258,616	456,237
Total Deferred Outflows of Resources	$ 482,891	$ 817,304	$ 1,300,195
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 18,104	$ 132,806	$ 150,910
Net Difference between Projected and Actual Earnings on Pension Plan Investments	981,795	669,789	1,651,584
Changes in Proportionate Share and Differences in Contributions	17,473	181,692	199,165
Total Deferred Inflows of Resources	$ 1,017,372	$ 984,287	$ 2,001,659

$456,237 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2023	$ (45,683)	$ (45,455)	$ (91,138)
2024	(299,379)	(228,079)	(527,458)
2025	(230,858)	(106,861)	(337,719)
2026	(156,182)	(79,986)	(236,168)
2027	-	34,782	34,782
Total	$ (732,102)	$ (425,599)	$ (1,157,701)

Actuarial Assumptions – OPERS

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

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

	OPERS Traditional Plan
Wage Inflation	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.00 percent, simple
Post-January 7, 2013 Retirees	3.00 percent, simple through 2022, then 2.05 percent, simple
Investment Rate of Return	6.90 percent
Actuarial Cost Method	Individual Entry Age

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

	OPERS Traditional Plan
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.00 percent, simple
Post-January 7, 2013 Retirees	0.50 percent, simple through 2021, then 2.15 percent, simple
Investment Rate of Return	7.20 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

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

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net Pension Liability (Asset)	$ 2,176,223	$ 825,407	$ (298,651)

Actuarial Assumptions – OP&F

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

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

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.50 percent
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.50 percent
Cost of Living Adjustments	2.20 percent simple per year

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

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

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

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

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

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

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

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

Note: Assumptions are geometric.
* levered 2x

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net Pension Liability	$ 3,788,485	$ 2,554,646	$ 1,527,139

NOTE 11 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability (Asset)

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care. Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, OPERS did not allocate any employer contribution to health care for members. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2022 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City had no contractually required contribution for 2022.

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

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

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

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

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

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

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

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

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

The City's contractually required contribution to OP&F was $6,293 for 2022. Of this amount, $586 is reported as an intergovernmental payable.

Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

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

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Period	0.009513%	0.0408912%	
Prior Measurement Period	0.008502%	0.0430012%	
Change in Proportion	0.001011%	-0.0021100%	
Proportionate Share of the Net OPEB Liability (Asset)	$ (297,962)	$ 448,203	
OPEB Expense	$ (272,883)	$ 38,022	$ (234,861)

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

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ -	$ 20,389	$ 20,389
Changes of Assumptions	-	198,386	198,386
Changes in Proportionate Share and Differences in Contributions	21,071	19,633	40,704
City Contributions Subsequent to the Measurement Date	-	6,293	6,293
Total Deferred Outflows of Resources	$ 21,071	$ 244,701	$ 265,772
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 45,197	$ 59,240	$ 104,437
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	142,048	40,489	182,537
Changes of Assumptions	120,612	52,055	172,667
Changes in Proportionate Share and Differences in Contributions	15,581	24,012	39,593
Total Deferred Inflows of Resources	$ 323,438	$ 175,796	$ 499,234

$6,293 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction/addition of the net OPEB liability (asset) in 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2023	$ (190,757)	$ 20,291	$ (170,466)
2024	(60,171)	14,279	(45,892)
2025	(31,038)	15,495	(15,543)
2026	(20,401)	209	(20,192)
2027	-	6,674	6,674
Thereafter	-	5,664	5,664
Total	$ (302,367)	$ 62,612	$ (239,755)

Actuarial Assumptions – OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions. The actuarial valuation used for 2021 compared to those used for 2020 are as follows:

	December 31, 2021	December 31, 2020
Wage Inflation	2.75 percent	3.25 percent
Projected Salary Increases,	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate	6.00 percent	6.00 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	1.84 percent	2.00 percent
Health Care Cost Trend Rate	5.50 percent, initial 3.50 percent, ultimate in 2034	8.50 percent, initial 3.50 percent, ultimate in 2035
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

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

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

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net OPEB (Asset)	$ (175,229)	$ (297,962)	$ (399,831)

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

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

	1% Decrease	Current Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB (Asset)	$ (301,182)	$ (297,962)	$ (294,142)

Actuarial Assumptions – OP&F

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

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

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

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

Valuation Date	January 1, 2021, with Actuarial Liabilities Rolled Forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.50 Percent
Projected Salary Increases	3.75 Percent to 10.50 Percent
Payroll Growth	3.25 Percent
Blended Discount Rate:	
Current Measurement Date	2.84 Percent
Prior Measurement Date	2.96 Percent
Cost of Living Adjustments	2.20 Percent Simple per Year

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

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

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

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

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

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

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

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

Note: Assumptions are geometric.
* levered 2x

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

Discount Rate For 2021, the total OPEB liability was calculated using the discount rate of 2.84 percent. For 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 7.5 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.05 percent at December 31, 2021, and 2.12 percent at December 31, 2020, was blended with the long-term rate of 7.5 percent for 2021 and 8 percent for 2020, which resulted in a blended discount rate of 2.84 percent for 2021 and 2.96 percent for 2020. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, and the municipal bond rate was applied to all health care costs after that date.

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

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	$ 563,401	$ 448,203	$ 353,510

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. *Additional Insurance*

The City provides life insurance and accidental death and dismemberment insurance to full time employees. The policy is in the amount of $15,000 life insurance and $15,000 accidental death and dismemberment. All employees can purchase life insurance from the City up to $65,000.

Medical, surgical and dental insurance is offered to all employees through a self-insurance internal service fund. The City is a member of the Jefferson Health Plan, a public entity risk management, insurance, and claims servicing pool, consisting of cities and other public entities across the state, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the City's behalf. The claims liability of $216,006 reported in the internal service fund at December 31, 2022, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Change in fund's claims liability for 2022 is as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2022	$ 168,915	$ 947,531	$ 900,440	$ 216,006
2021	$ 31,742	$ 869,199	$ 732,026	$ 168,915

B. *Compensated Absences*

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation time based on the length of service. Typically, vacation cannot be carried over, however, unforeseen circumstances may come into play and the mayor may elect to permit an employee to carryover minimal vacation time. Sick leave is accumulated at a rate of 4.6 hours per each 80 hours worked. For employees that work less than a 40 hour work week, the sick leave accumulation is prorated based on 4.6 hours per 80 hours worked. All accumulated, unused vacation time and personal days are paid upon separation if the employee has acquired at least one year of service with the City. Upon separation, AFSCME members are paid for a maximum of 180 days of accumulated sick time provided they have ten years of service with the City. Police are paid one-half of accumulated sick time with no maximum provided they have ten years of service with the City. Upon separation, firefighters are paid for half of all accumulated sick time provided they have ten years of service with the City.

NOTE 13 – INTERFUND TRANSFERS

The City made the following transfers during 2022:

	Transfers In	Transfers Out
Major Governmental Funds:		
General	$ 350,961	$ 822,691
Street Maintenance & Repair	112,000	-
Nonmajor Governmental Funds:		
Cemetery	65,730	-
Police Pension	111,000	-
Recreation	36,000	-
Fire Pension	25,000	-
Capital Improvement	-	-
Titanium Way Bridge	-	220,961
Other Grants	-	-
Nature Works	-	-
Alexander Street Bridge	220,961	-
Total Governmental Funds	921,652	1,043,652
Nonmajor Internal Service Fund:		
Jefferson Health Plan	237,000	-
Enterprise Funds:		
Sewer	-	130,000
Refuse	15,000	-
Total	$ 1,173,652	$ 1,173,652

The General Fund transferred $284,000 to various other funds to distribute income tax revenue, $237,000 and $65,730 to the Jefferson Health Plan self-insurance and cemetery funds, respectively, for operating expenses and $220,961 to the Alexander Street Bridge fund for project expenses. The Titanium Way Bridge fund transferred $220,961 to the General Fund to liquidate the remaining balance in the fund and the sewer fund made a transfer to the general fund to transfer excess funds from a completed project.

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in long-term obligations during the year ended December 31, 2022, consisted of the following:

	Outstanding Balance	Additions	Reductions	Outstanding 12/31/2022	Amounts Due In One Year
Governmental Activities					
Direct Borrownings:					
Installment Loan-City Building	$ 163,209	$ -	$ (52,904)	$ 110,305	$ 53,658
Lease Purchase	137,541	-	(67,888)	69,653	69,653
Total Direct Borrowings	300,750	-	(120,792)	179,958	123,311
Other Long-Term Obligations:					
Compensated Absences	370,135	51,077	(84,535)	336,677	71,855
Net Pension Liability	3,404,491	-	(527,936)	2,876,555	-
Net OPEB Liability	455,605	-	(7,402)	448,203	-
Total Other Long-Term Obligations	4,230,231	51,077	(619,873)	3,661,435	71,855
Total Governmental Activities	$ 4,530,981	$ 51,077	$ (740,665)	$ 3,841,393	$ 195,166

	Outstanding Balance	Additions	Reductions	Outstanding 12/31/2022	Amounts Due In One Year
Business-Type Activities					
Direct Borrowings:					
OWDA Loans:					
Water Treatment Plant	$ 3,570,329	$ -	$ (849,765)	$ 2,720,564	$ 877,694
Water Treatment Plant Lagoons	169,955	-	(41,856)	128,099	42,275
Waterline Replacement	487,187	-	(17,827)	469,360	18,185
Combined Sewer Separation	119,060	-	(13,489)	105,571	13,624
NEBO Drive Water & Sewer Lines	1,653,001	-	(39,630)	1,613,371	39,630
Water Asset Management Plan	3,051	-	(2,034)	1,017	1,017
Euclid Avenue Water Line	724,281	-	(36,990)	687,291	36,990
NEBO Drive Phase II	159,006	100,322	(13,895)	245,433	13,895
Waste Water Treatment Plant	2,258,524	-	(137,096)	2,121,428	137,096
LTCP Sewer Improvements Phase I	82,075	-	(82,075)	-	-
Pump Station, 5th, 6th, and 7th					
Street Improvements	207,594	-	(90,576)	117,018	90,576
Walton Acres Water Line Phase I	-	95,742	-	95,742	-
E 5th/Myers St Water Line	-	74,533	-	74,533	-
North Pump Station	-	58,100	-	58,100	-
Total OWDA loans	9,434,063	328,697	(1,325,233)	8,437,527	1,270,982
OPWC Loan:					
Waterline Replacement OPWC Loan	156,000	-	(6,500)	149,500	6,500
Lease Purchase	118,293	-	(30,972)	87,321	31,285
Total Direct Borrowings	9,708,356	328,697	(1,362,705)	8,674,348	1,308,767
Other Long-Term Obligations:					
Compensated Absences	122,091	880	(21,614)	101,357	18,690
Net Pension Liability	771,834	-	(268,336)	503,498	-
Total Other Long-Term Obligations	893,925	880	(289,950)	604,855	18,690
Total Business-Type Activities	$10,602,281	$ 329,577	$ (1,652,655)	$ 9,279,203	$ 1,327,457

The installment loan and lease purchase will be paid from the general fund. In the business-type activities, the OWDA loans and OPWC loan will be paid from revenues derived from charges for services in the water and sewer funds. The garbage packer lease purchase will be paid from the refuse fund. Compensated absences will be paid from the fund from which the employees' salaries are paid. The City pays obligations related to employee compensation from the fund benefitting from their service.

Governmental Activities

Direct Borrowings

In 2007, the City entered into an installment loan agreement with Consumers National Bank for the purchase of the new City building (secured asset). The principal amount of the loan was $894,981 and the interest rate is currently 1.25 percent. The loan will mature in December 2024. In the event of default, the Lender may declare the entire unpaid principal balance and all accrued unpaid interest immediately due.

In 2016, the City entered into a lease purchase agreement for a fire truck in the amount of $452,026. The lease carries an interest rate of 2.6 percent and a maturity date of November 30, 2023. In the event of default, the lessor may retake possession of the fire truck, which is collateral in the agreement.

Business-Type Activities

Direct Borrowings

In 2007, the City entered into contractual agreements with the Ohio Water Development Authority (OWDA) to construct a new water treatment plant. The City had drawn down the full amount of $13,534,834. The City had also incurred capitalized interest of $479,344. The City began to repay the loan in 2007.

In 2005 the City was awarded a new loan from the Ohio Water Development Authority (OWDA) in the amount of $781,822. The proceeds of this loan are being used to construct water treatment plant lagoons. The City had drawn down the full amount $781,822 from OWDA. In addition to the draw down, the City had incurred capitalized interest of $4,020. The City began to repay this loan in July 2006.

During 2010, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan to begin a project mandated by the U.S. EPA and the Ohio EPA to eliminate sanitary sewer overflows into the Ohio River. As of December 31, 2014, the City had drawn down the full amount of $264,886. In addition to this loan, the City was awarded proceeds of $468,882 as part of the American Recovery and Reinvestment Act (ARRA) and an equal amount of debt was forgiven. The OWDA loan has an interest rate of 1 percent and the City made the first payment in December 2010. The loan matures on July 1, 2030.

During 2013, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan to begin a waterline replacement project. The total award amount of the loan was $877,906, which includes $260,635 to be forgiven as part of the American Recovery and Reinvestment Act (ARRA). In 2013, the City drew down $328,957, of which $200,498 was forgiven. In 2014, the City drew down an additional $375,784, of which $30,347 was forgiven. In 2015, the City drew down an additional $143,375, of which $29,791 was forgiven. The OWDA loan has an interest rate of 2 percent and the City made the first payment in July 2014. The loan matures on January 1, 2044.

Additional funding for the waterline project was provided by the Ohio Public Water Commission (OPWC) in the amount of a $195,000 loan with no interest. The City made the first payment in June 2015. The loan matures on January 1, 2044.

During 2014, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan, in the amount of $2,886,904 for waste water treatment plant improvements. The City made the first payment on this loan on January 1, 2016. The loan matures on July 1, 2037. As of December 31, 2022, there is no amortization schedule available; therefore, it is not included in the following amortization table.

During 2018, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan for a water asset management plan with no interest in the amount of $20,170, of which $10,000 was forgiven. The loan matures on July 1, 2023.

During 2019, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan in the amount of $1,655,859 for the Nebo Drive water and sewer extension project. As of December 31, 2022, only $1,846,502 has been drawn down by the City. The City made the first payment on this loan on December 16, 2019. This loan is not fully disbursed and there is no amortization schedule available. Therefore, it is not included in the following amortization table.

During 2019, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan in the amount of $425,757 for a pump station and multiple street area improvements. As of December 31, 2022, only $361,623 has been drawn down by the City. This loan is not fully disbursed and there is no amortization schedule available. Therefore, it is not included in the following amortization table.

During 2019, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan in the amount of $814,576 for the Euclid Avenue waterline replacement project. The City made the first payment on this loan on December 16, 2019. There is no amortization schedule available. Therefore, it is not included in the following amortization table.

During 2019, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan in the amount of $180,630 for the Nebo Drive phase II project. As of December 31, 2022, only $259,328 has been drawn down by the City. This loan is not fully disbursed and there is no amortization schedule available. Therefore, it is not included in the following amortization table.

During 2019, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan in the amount of $511,480 for the LTCP sewer improvements – phase I project. As of December 31, 2022, only $286,668 has been drawn down by the City. This loan fully matured in 2022.

During 2022, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan in the amount of $217,092 for the Walton Acres Phase I project. As of December 31, 2022, only $95,742 has been drawn down by the City. This loan is not fully disbursed and there is no amortization schedule available. Therefore, it is not included in the following amortization table.

During 2022, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan in the amount of $180,211 for the East 5th/Myers Street project. As of December 31, 2022, only $74,533 has been drawn down by the City. This loan is not fully disbursed and there is no amortization schedule available. Therefore, it is not included in the following amortization table.

During 2022, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan in the amount of $89,250 for the North Pump Station sewer project. As of December 31, 2022, only $58,100 has been drawn down by the City. This loan is not fully disbursed and there is no amortization schedule available. Therefore, it is not included in the following amortization table.

In 2020, the City entered into a lease purchase agreement for a garbage truck in the amount of $155,658. The lease carries an interest rate of 2.15 percent and a maturity date of August 5, 2025. In the event of default, the lessor may retake possession of the fire truck, which is collateral in the agreement.

In the event of default, as defined by the OPWC loan agreement, the amount of default will be subject to 8 percent interest on all amounts due from date of default. Additionally, the Lender may declare all amounts immediately due and payable or require the County treasurer to pay the amounts due from funds appropriated to the county's undivided local government fund. The lender will also be entitled to collect any cost incurred in the event of default. In the event of default, as defined by each OWDA loan agreement, the lender may declare the full amount of the unpaid Project Participation Principal amount immediately due and payable and require the County to pay any fines or penalties incurred with interest.

There are no repayment schedules for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the general fund and water, sewer, and refuse funds. For additional information related to the net pension liability and net OPEB liability see Notes 10 and 11.

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

Governmental Activities

	Installment Loan-City Building		Lease Purchase		Total	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ 53,658	$ 1,028	$ 69,653	$ 1,811	$ 123,311	$ 2,839
2024	56,647	350	-	-	56,647	350
	$ 110,305	$ 1,378	$ 69,653	$ 1,811	$ 179,958	$ 3,189

Business-Type Activities

	OWDA Loans*		OPWC Loan	Lease Purchase		Total	
Year	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2023	$ 952,794	$ 86,583	$ 6,500	$ 31,285	$ 1,634	$ 990,579	$ 88,217
2024	981,548	59,110	6,500	31,963	956	1,020,011	60,066
2025	1,012,282	30,753	6,500	24,073	263	1,042,855	31,016
2026	33,342	8,786	6,500	-	-	39,842	8,786
2027	19,692	7,790	6,500	-	-	26,192	7,790
2028-2032	133,055	28,131	26,000	-	-	159,055	28,131
2033-2037	113,220	24,188	32,500	-	-	145,720	24,188
2038-2042	125,063	12,342	32,500	-	-	157,563	12,342
2043-2045	53,615	1,347	26,000	-	-	79,615	1,347
	$ 3,424,611	$ 259,030	$ 149,500	$ 87,321	$ 2,853	$ 3,661,432	$ 261,883

*Excludes $5,012,916 in outstanding OWDA loans since there is no amortization schedule.

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 16 – FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General	Street Maintenance and Repair	Other Governmental Funds	Total
Nonspendable for:				
Prepaid Items	$ 30,198	$ 8,961	$ -	$ 39,159
Materials and Supplies Inventory	-	44,603	-	44,603
Unclaimed Monies	2,535	-	-	2,535
Total Nonspendable	32,733	53,564	-	86,297
Restricted for:				
Recreation	-	-	2,306	2,306
Street Maintenance and City Improvements	-	26,681	11,741	38,422
Law Enforcement and Public Safety	-	-	4,342	4,342
Alexander Bridge Replacement	-	-	4,571	4,571
Community Development	-	-	111,838	111,838
Total Restricted	-	26,681	134,798	161,479
Committed for:				
Police and Fire Severence	106,378	-	-	106,378
Assigned for:				
Capital Projects	-	-	8,691	8,691
Unassigned	389,519	-	(12,530) *	376,989
Total Fund Balance	$ 528,630	$ 80,245	$ 130,959	$ 739,834

*Fund balances at December 31, 2022 included deficits of $8,987 and $3,543 in the police pension and fire pension funds, respectively. The deficits in these funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

City of Toronto
Jefferson County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Last Nine Years (1)

	2022	2021	2020	2019
Ohio Public Employees' Retirement System (OPERS)				
City's Proportion of the Net Pension Liability	0.009487%	0.008407%	0.008647%	0.009008%
City's Proportionate Share of the Net Pension Liability	$ 825,407	$ 1,244,894	$ 1,709,138	$ 2,467,109
City's Covered Payroll	$ 1,376,907	$ 1,184,100	$ 1,216,579	$ 1,216,736
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	59.95%	105.13%	140.49%	202.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.62%	86.88%	82.17%	74.70%
Ohio Police and Fire Pension Fund (OPF)				
City's Proportion of the Net Pension Liability	0.040891%	0.043001%	0.042873%	0.044877%
City's Proportionate Share of the Net Pension Liability	$ 2,554,646	$ 2,931,431	$ 2,888,181	$ 3,663,149
City's Covered Payroll	$ 946,784	$ 1,083,173	$ 1,048,113	$ 1,042,390
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	269.82%	270.63%	275.56%	351.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.03%	70.65%	69.89%	63.07%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

2018		2017		2016		2015		2014
0.008854%		0.009029%		0.008364%		0.007545%		0.007545%
$ 1,388,966	$	2,050,371	$	1,448,750	$	910,011	$	889,457
$ 1,176,014	$	1,167,200	$	941,300	$	925,042	$	700,923
118.11%		175.67%		153.91%		98.38%		126.90%
84.66%		77.25%		81.08%		86.45%		86.36%
0.044838%		0.043790%		0.045441%		0.045885%		0.045885%
$ 2,751,912	$	2,773,599	$	2,923,251	$	2,377,040	$	2,234,748
$ 1,011,549	$	972,417	$	949,388	$	936,300	$	751,774
272.05%		285.23%		307.91%		253.88%		297.26%
70.91%		68.36%		66.77%		72.20%		73.00%

See accompanying notes to the required supplementary information.

City of Toronto
Jefferson County, Ohio
Required Supplementary Information
Schedule of the City's Contributions - Pension
Last Ten Years

	2022	2021	2020	2019
Ohio Public Employees' Retirement System (OPERS)				
Contractually Required Contribution	$ 197,621	$ 192,767	$ 165,774	$ 170,321
Contributions in Relation to the Contractually Required Contribution	(197,621)	(192,767)	(165,774)	(170,321)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 1,411,579	$ 1,376,907	$ 1,184,100	$ 1,216,579
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Ohio Police and Fire Pension Fund (OPF)				
Contractually Required Contribution	$ 258,616	$ 194,934	$ 222,503	$ 215,118
Contributions in Relation to the Contractually Required Contribution	(258,616)	(194,934)	(222,503)	(215,118)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 1,258,619	$ 946,784	$ 1,083,173	$ 1,048,113
Contributions as a Percentage of Covered Payroll	20.55%	20.59%	20.54%	20.52%

See accompanying notes to the required supplementary information.

2018		2017		2016		2015		2014		2013	
$	170,343	$	152,882	$	140,064	$	112,956	$	111,005	$	91,120
	(170,343)		(152,882)		(140,064)		(112,956)		(111,005)		(91,120)
$	-	$	-	$	-	$	-	$	-	$	-
$	1,216,736	$	1,176,014	$	1,167,200	$	941,300	$	925,042	$	700,923
	14.00%		13.00%		12.00%		12.00%		12.00%		13.00%
$	213,414	$	207,145	$	199,135	$	194,942	$	192,026	$	130,499
	(213,414)		(207,145)		(199,135)		(194,942)		(192,026)		(130,499)
$	-	$	-	$	-	$	-	$	-	$	-
$	1,042,390	$	1,011,549	$	972,417	$	949,388	$	936,300	$	751,774
	20.47%		20.48%		20.48%		20.53%		20.51%		17.36%

See accompanying notes to the required supplementary information.

City of Toronto
Jefferson County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability (Asset)
Last Six Years (1)

	2022	2021	2020	2019
Ohio Public Employees' Retirement System (OPERS)				
City's Proportion of the Net OPEB Liability (Asset)	0.009513%	0.008502%	0.008854%	0.009207%
City's Proportionate Share of the Net OPEB Liability (Asset)	$ (297,962)	$ (151,470)	$ 1,222,967	$ 1,200,375
City's Covered Payroll	$ 1,376,907	$ 1,184,100	$ 1,216,579	$ 1,216,736
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-21.64%	-12.79%	100.53%	98.66%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	128.23%	115.57%	47.80%	46.33%
Ohio Police and Fire Pension Fund (OPF)				
City's Proportion of the Net OPEB Liability	0.040891%	0.043001%	0.042873%	0.044877%
City's Proportionate Share of the Net OPEB Liability	$ 448,203	$ 455,605	$ 423,492	$ 408,674
City's Covered Payroll	$ 946,784	$ 1,083,173	$ 1,048,113	$ 1,042,390
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	47.34%	42.06%	40.41%	39.21%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.86%	45.42%	47.08%	46.57%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

2018		2017	
	0.009059%		0.009201%
$	983,792	$	929,332
$	1,176,014	$	1,167,200
	83.65%		79.62%
	54.14%		54.04%
	0.044838%		0.043790%
$	2,540,453	$	2,078,613
$	1,011,549	$	972,417
	251.14%		213.76%
	14.13%		15.96%

See accompanying notes to the required supplementary information.

City of Toronto
Jefferson County, Ohio
Required Supplementary Information
Schedule of the City's Contributions - OPEB
Last Ten Years

	2022	2021	2020	2019
Ohio Public Employees' Retirement System (OPERS)				
Contractually Required Contribution	$ -	$ -	$ -	$ -
Contributions in Relation to the Contractually Required Contribution	-	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
City's Covered Payroll (1)	$ 1,411,579	$ 1,376,907	$ 1,184,100	$ 1,216,579
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
Ohio Police and Fire Pension Fund (OPF)				
Contractually Required Contribution	$ 6,293	$ 4,734	$ 5,416	$ 5,241
Contributions in Relation to the Contractually Required Contribution	(6,293)	(4,734)	(5,416)	(5,241)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 1,258,619	$ 946,784	$ 1,083,173	$ 1,048,113
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

(n/a) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
(1) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan.

See accompanying notes to the required supplementary information.

2018	2017	2016	2015	2014	2013
$ -	$ 11,760	$ 23,344	n/a	n/a	n/a
-	(11,760)	(23,344)	n/a	n/a	n/a
$ -	$ -	$ -	n/a	n/a	n/a
$ 1,216,736	$ 1,176,014	$ 1,167,200	n/a	n/a	n/a
0.00%	1.00%	2.00%	n/a	n/a	n/a
$ 5,212	$ 5,058	$ 4,862	$ 4,747	$ 62,948	$ 61,485
(5,212)	(5,058)	(4,862)	(4,747)	(62,948)	(61,485)
$ -	$ -	$ -	$ -	$ -	$ -
$ 1,042,390	$ 1,011,549	$ 972,417	$ 949,388	$ 936,300	$ 751,774
0.50%	0.50%	0.50%	0.50%	6.70%	8.18%

See accompanying notes to the required supplementary information.

NOTE 1 - NET PENSION LIABILITY

Changes in Assumptions – OPERS

Amounts reported incorporate changes in discount rate used in calculating the total pension liability as follows:

	2022	2021	2020	2019	2018
Discount Rate	6.90%	7.20%	7.20%	7.50%	8.00%

Calendar year 2017 reflects an adjustment of the rates of withdrawal, disability, retirement and mortality to more closely reflect actual experience. The expectation of retired life mortality was based on RP-2014 Healthy Annuitant mortality table and RP-2014 Disabled mortality table. Wage inflation rate was also reduced from 3.25 percent to 2.75 percent.

Changes in Benefit Terms – OPERS

In October 2020, the OPERS Board adopted a change in COLA for post-January 7, 2013 retirees, changing it from 1.40 percent simple through 2020 then 2.15 simple to 0.5 percent simple through 2021 then 2.15 percent simple.

In October 2019, the OPERS Board adopted a change in COLA for post-January 7, 2013 retirees, changing it from 3.00 percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 then 2.15 percent simple.

Changes in Assumptions – OP&F

For 2021, the single discount rate changed from 8.00 percent to 7.50 percent.

For 2018, the single discount rate changed from 8.25 percent to 8.00 percent.

Changes in Benefit Terms – OP&F

No significant changes in benefit terms.

NOTE 2 - NET OPEB LIABILITY (ASSET)

Changes in Assumptions - OPERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Assumption	2022	2021	2020	2019	2018	2017
Discount Rate	6.00%	6.00%	3.16%	3.96%	3.85%	4.23%
Municipal Bond Rate	1.84%	2.00%	2.75%	3.71%	3.31%	n/a
Health Care Cost Trend Rate	5.50%	8.50%	10.50%	10.00%	7.50%	n/a

For calendar year 2019, the investment rate of return decreased from 6.50 percent to 6.00 percent.

Changes in Benefit Terms – OPERS

For calendar year 2022, the cost of living adjustments decreased from 2.20 percent simple to 2.05 percent simple.

For calendar year 2021, the cost of living adjustments decreased from 3.00 percent simple to 2.20 percent simple.

Changes in Assumptions – OP&F

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Assumption	2022	2021	2020	2019	2018	2017
Discount Rate	2.84%	2.96%	3.56%	4.66%	3.24%	3.79%
Municipal Bond Rate	2.05%	2.12%	2.75%	4.13%	3.16%	n/a

Changes in Benefit Terms – OP&F

Beginning January 1, 2019 OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

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OHIO AUDITOR OF STATE
KEITH FABER

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

City of Toronto
Jefferson County
P.O. Box 189
Toronto, Ohio 43964

To the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toronto, Jefferson County, (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 27, 2023, wherein we qualified our opinion on the capital assets reported within the governmental activities, the business activities, and the Water, Sewer, and Refuse funds.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

City's Response to the Finding

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

Purpose of This Report

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

Keith Faber
Auditor of State
Columbus, Ohio

April 15, 2024

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

FINDING NUMBER 2022-001

Material Weakness - Capital Assets

Governmental Accounting Standards Board (GASB) Implementation Guide 34 (Q145) states that it is not appropriate to report capital assets that are still in active service as “fully depreciated” if the amounts involved are significant: assets still in use should not be reported as fully depreciated. Instead, management should periodically reevaluate asset lives. If an asset will outlive its expected life, management should increase the asset life. This should be treated as a change in accounting estimate. These changes require allocating the remaining undepreciated life over the new estimate of remaining life.

Ohio Administrative Code 117-2-02 (D) states that all local public officers may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public officer provides, and should consider the degree of automation and other factors. Such records should include capital asset records including such information as original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset depreciation, location, useful life, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data.

Ohio Administrative Code 117-2-02 (E) states that each public office should establish a capitalization threshold, so that, at a minimum, eighty percent of the local public office's non-infrastructure assets are identified, classified and recorded on the local public office's financial records. It is management's responsibility to implement internal accounting control policies and procedures to reasonably ensure the City's assets are safeguarded and recorded. Specifically, these control procedures should include the maintenance of adequate documentation to support the accuracy and completeness of capital asset records. The City's capital assets are reported on the financial statements at $24,966,530 as of December 31, 2022.

A review of the City's capital assets identified the following:

- The City's GAAP converter has created and maintains a listing of capital assets of the City which is used in the accompanying financial statements;
- The City has not adopted a formal policy regarding capital assets;
- Several assets on the capital asset listing used to support the accompanying financial statements are fully depreciated, some of which do not appear to be in use by the City;
- Assets are included in the detailed listing which have a value less than the City's capital asset threshold;
- Salvage values were not established and included in the report; and
- Estimated useful lives for vehicles are up to 40 years;

FINDING NUMBER 2022-001
(Continued)

During a prior year, the City hired Industrial Appraisers to perform a valuation of the City's capital assets. This report was not provided to the GAAP converter, therefore; the valuation provided to the City by Industrial Appraisers was not included in the accompanying financial statements since we could not determine if the amounts were accurate and fairly stated. A review of the report provided by Industrial Appraisers identified the following:

- A threshold of $1,000 was used, however, the City maintains a threshold of $5,000;
- Salvage values were not established and included in the report;
- No evidence was provided showing the City updated the listing with Industrial Appraisers for additions and deletions subsequent to the date of the evaluation; and
- Water and sewer lines were not included, thus, the report was not complete.

The items identified above are the result of the City not having a capital asset policy and complying with the requirements listed in paragraphs 18-26 of GASB Statement 34. Failure to implement the items listed above will result in a continued modified opinion and could result in adjustments to the financial statements.

The City should conduct a complete physical inventory of its assets annually and provide updates to Industrial Appraisers for updating. The City should review the capital asset valuation report from Industrial Appraisals and ensure it is accurate and complete and then provide to the GAAP converter for inclusion in the annual financial statement report. The City should create and approve a comprehensive written policy governing the identification, disposition, and depreciation of general infrastructure required to be reported under paragraphs 18-26 of Governmental Accounting Standards Board (GASB) Statement No. 34. The policy should also include application and monitoring controls over the purchase, sale, and movement of capital assets within the City and periodic inventory requirements. This policy may then provide a consistent approach needed by management to exercise proper control over the acquisition, disposal, and maintenance of the City's property, plant, and equipment. If an asset will outlive its expected life, management should increase the asset life and allocate any remaining undepreciated life of similar assets over the new estimated life.

Officials' Response: We, the City of Toronto, are working with Industrial Appraisers to have the valuation completed for the audit on Fiscal Year 2024 so that a complete list of physical inventory will be made. This will provide a true picture of our capital assets at that moment in time. We look to have this completed for fiscal year ending 2024.

KAYLA WHITLATCH, AUDITOR

THE CITY OF TORONTO, OHIO
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBRER 31, 2022

Finding Number	Finding Summary	Status	Additional Information
2002-004	Capital Assets	Not Corrected	Repeated as issue 2022-001

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OHIO AUDITOR OF STATE
KEITH FABER

CITY OF TORONTO

JEFFERSON 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 5/14/2024

88 East Broad Street, Columbus, Ohio 43215
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