OHIO AUDITOR OF STATE
**KEITH FABER**

**CITY OF MARTINS FERRY**
**BELMONT COUNTY**
**DECEMBER 31, 2022**

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# CITY OF MARTINS FERRY
# BELMONT COUNTY
# DECEMBER 31, 2022

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# INDEPENDENT AUDITOR'S REPORT

City of Martins Ferry
Belmont County
P.O. Box 386
Martins Ferry, Ohio 43935

To the City Council:

## Report on the Audit of the Financial Statements

### *Opinions*

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Martins Ferry, Belmont 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, Street Maintenance and Repair, and Fire and Ambulance Funds for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

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

### *Emphasis of Matter*

As discussed in Note 3 to the financial statements, during 2022, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases.* Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

***Required Supplementary Information***

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 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
Auditor of State
Columbus, Ohio

February 8, 2024

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The discussion and analysis of the City of Martins Ferry'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 $616,257 which represents a 6.44 percent increase from 2021 balances. Net position of governmental activities increased $133,738. Net position of business-type activities increased $482,519.

- Total capital assets decreased $62,071 in 2022. Capital assets of governmental activities increased $781,892 and capital assets of business-type activities decreased $843,963.

- Outstanding debt increased from $5,757,412 to $6,291,769.

## *Using this Annual Financial Report*

This report is designed to allow the reader to look at the financial activities of the City of Martins Ferry 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 Martins Ferry as a Whole*

### *Statement of Net Position and 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 Martins Ferry, the general fund is by far the most significant fund. Business-type funds consist of the water, sanitation, and sewer 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, sanitation and sewer funds are reported as major business-type activities.

***Reporting the City of Martins Ferry'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, the street maintenance and repair fund, the fire and ambulance fund, and the street paving 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.

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

## The City 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**

Table 1
**Net Position at Year End**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| ***Assets*** | | | | | | |
| Current and Other Assets | $4,882,566 | $4,438,916 | $2,500,359 | $2,208,305 | $7,382,925 | $6,647,221 |
| Capital Assets, Net | 5,279,590 | 4,497,698 | 12,221,117 | 13,065,080 | 17,500,707 | 17,562,778 |
| *Total Assets* | 10,162,156 | 8,936,614 | 14,721,476 | 15,273,385 | 24,883,632 | 24,209,999 |
| *Total Deferred Outflows of Resources* | 1,232,249 | 1,054,833 | 763,431 | 355,503 | 1,995,680 | 1,410,336 |
| ***Liabilities:*** | | | | | | |
| Current and Other Liabilities | 677,014 | 289,600 | 240,022 | 232,880 | 917,036 | 522,480 |
| *Long-Term Liabilities:* | | | | | | |
| Due Within One Year | 316,024 | 311,119 | 548,982 | 596,879 | 865,006 | 907,998 |
| *Due in More than One Year:* | | | | | | |
| Net Pension Liability | 2,702,066 | 3,470,300 | 874,090 | 1,503,313 | 3,576,156 | 4,973,613 |
| Net OPEB Liability | 332,850 | 328,893 | 0 | 0 | 332,850 | 328,893 |
| Other Amounts | 2,044,724 | 1,029,623 | 4,488,374 | 4,551,256 | 6,533,098 | 5,580,879 |
| *Total Liabilities* | 6,072,678 | 5,429,535 | 6,151,468 | 6,884,328 | 12,224,146 | 12,313,863 |
| *Total Deferred Inflows of Resources* | 3,059,280 | 2,433,203 | 1,417,371 | 1,311,011 | 4,476,651 | 3,744,214 |
| ***Net Position:*** | | | | | | |
| Net Investment in Capital Assets | 3,309,577 | 3,489,299 | 7,771,949 | 8,071,984 | 11,081,526 | 11,561,283 |
| Restricted | 1,836,908 | 1,784,747 | 0 | 0 | 1,836,908 | 1,784,747 |
| Unrestricted | (2,884,038) | (3,145,337) | 144,119 | (638,435) | (2,739,919) | (3,783,772) |
| *Total Net Position* | $2,316,300 | $2,128,709 | $7,916,068 | $7,433,549 | $10,178,515 | $9,562,258 |

Collectively, the net pension liability (NPL), reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and the net OPEB liability (NOL), pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* are the largest liabilities reported by the City at December 31, 2022. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows -related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

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

At year end, capital assets represented 70.33 percent of total assets. Capital assets include land, buildings, building improvements, machinery and equipment, vehicles, infrastructure, and construction in progress. Capital assets, net of related debt were $11,081,526 at December 31, 2022, with $3,309,577 in governmental activities and $7,771,949 in business-type activities. 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, $1,836,908 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position is a deficit balance of $2,739,919.

Equity in pooled cash and investments for governmental activities increased primarily due to increased charges for services and income tax revenues. Equity in pooled cash and investments for business-type funds increased primarily due to an increase in charges for services revenues.

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

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 shows the changes in net position for fiscal year 2022 and 2021.

Table 2
**Changes in Net Position**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| ***Revenues:*** | | | | | | |
| *Program Revenues:* | | | | | | |
| Charges for Services | $1,386,769 | $1,130,333 | $5,585,935 | $5,431,492 | $6,972,704 | $6,561,825 |
| Operating Grants and Contributions | 485,137 | 651,483 | 0 | 252,445 | 485,137 | 903,928 |
| Capital Grants and Contributions | 0 | 0 | 0 | 0 | 0 | 0 |
| *Total Program Revenues* | 1,871,906 | 1,781,816 | 5,585,935 | 5,683,937 | 7,457,841 | 7,465,753 |
| ***General Revenues:*** | | | | | | |
| Property Taxes | 1,050,688 | 979,342 | 0 | 0 | 1,050,688 | 979,342 |
| Income Taxes | 1,809,454 | 1,561,919 | 0 | 0 | 1,809,454 | 1,561,919 |
| Grants and Entitlements | 300,677 | 678,248 | 0 | 0 | 300,677 | 678,248 |
| Other Local Taxes | 170,805 | 94,390 | 0 | 0 | 170,805 | 94,390 |
| Investment Earnings | 46,294 | 5,198 | 0 | 0 | 46,294 | 5,198 |
| Gain on Sale of Capital Assets | 0 | 3,844 | 0 | 0 | 0 | 3,844 |
| Miscellaneous | 59,264 | 44,448 | 34,038 | 97,868 | 93,302 | 142,316 |
| *Total General Revenues* | 3,437,182 | 3,367,389 | 34,038 | 97,868 | 3,471,220 | 3,465,257 |
| *Total Revenue* | 5,309,088 | 5,149,205 | 5,619,973 | 5,781,805 | 10,929,061 | 10,931,010 |
| ***Expenses:*** | | | | | | |
| General Government | 1,081,954 | 859,506 | 0 | 0 | 1,081,954 | 859,506 |
| Security of Persons and Property | 2,958,477 | 2,603,686 | 0 | 0 | 2,958,477 | 2,603,686 |
| Public Health | 68,360 | 40,305 | 0 | 0 | 68,360 | 40,305 |
| Leisure Time Activities | 77,531 | 40,328 | 0 | 0 | 77,531 | 40,328 |
| Community Development | 0 | 7,171 | 0 | 0 | 0 | 7,171 |
| Transportation | 911,146 | 604,709 | 0 | 0 | 911,146 | 604,709 |
| Interest and Fiscal Charges | 77,882 | 44,785 | 0 | 0 | 77,882 | 44,785 |
| Water | 0 | 0 | 3,641,605 | 3,028,621 | 3,641,605 | 3,028,621 |
| Sanitation | 0 | 0 | 843,523 | 616,807 | 843,523 | 616,807 |
| Sewer | 0 | 0 | 652,326 | 471,254 | 652,326 | 471,254 |
| *Total Expenses* | 5,175,350 | 4,200,490 | 5,137,454 | 4,116,682 | 10,312,804 | 8,317,172 |
| Change in Net Position | 133,738 | 948,715 | 482,519 | 1,665,123 | 616,257 | 2,613,838 |
| Net Position at Beginning of Year | 2,128,709 | 1,179,994 | 7,433,549 | 5,768,426 | 9,562,258 | 6,948,420 |
| Net Position at End of Year | $2,262,447 | $2,128,709 | $7,916,068 | $7,433,549 | $10,178,515 | $9,562,258 |

The City's overall net position increased $616,257 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 and charges for services. Other prominent sources are property taxes, grants and entitlements and miscellaneous revenues.

The City's income tax rate increased to 1.0 percent, effective June 1, 2014 from the prior tax rate of 0.75 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 1.0 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, charges for services, intergovernmental revenues, and other miscellaneous revenues. The City monitors its sources of revenues very closely for fluctuations.

General revenues for income taxes increased primarily due to increases in withholdings received throughout the year and property taxes increased primarily due to increases in property tax receivables.

Police and fire represent the largest expense of the governmental activities. The police department operates out of the general fund and police salary levy fund. The increase in security of persons and property is due primarily to changes in expenses associated with GASB 68 and GASB 75.

The City's street maintenance and repair department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling.

## Business-Type Activities

Business-type activities include water, sanitation, and sewer. The revenues are generated primarily from charges for services. In 2022, charges for services accounted for 99.39 percent of the business type revenues. The total revenues for utilities increased primarily due to an increase in usage by residents in 2022.

***The City's Funds***

***Governmental Funds***

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 general fund is the chief operating fund of the City. The fund balance of the general fund decreased by $157,523 during the current fiscal year due to increased expenditures in 2022.

The street maintenance and repair fund had a $32,497 increase in fund balance primarily due to increased intergovernmental revenues and allocation of income taxes.

The fire and ambulance fund had a $57,978 increase in fund balance primarily due to increased charges for services revenues and decreased expenditures in 2022.

The street paving fund had a $324,584 increase in fund balance primarily due to revenues exceeding expenditures in 2022, which is the initial year for this fund.

***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.

Unrestricted net position of the water fund at the end of the year was a positive of $209,081, the sewer fund was a positive of $77,395, and the sanitation fund was a deficit of $142,357. Total change in net position for these funds was an increase of $482,519, an increase of $297,795, an increase of $87,869 and an increase of $96,855, respectively. 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. 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, there was no need to make significant amendments to budgeted appropriations. There was a need to make an amendment to increase estimated revenues for income tax collections that were higher than anticipated.

***Final Budget Compared to Actual Results*** A review of actual revenues compared to the revenues of the final budget revealed no significant variances. However, the City did receive less revenue than anticipated with the highest variance associated with fines and forfeitures.

A review of actual expenditures compared to the appropriations in the final budget revealed variances in general government, security of persons and property, which both were positive variances due to the various departments maintaining their spending levels below their appropriations.

***Capital Assets and Debt Administration***

## Capital Assets

Table 3 shows 2022 balances compared with 2021.

**Table 3**
**Capital Assets at December 31**
**(Net of Depreciation)**

Table 3
**Capital Assets at December 31**
**(Net of Depreciation)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Land | $712,451 | $712,451 | $171,440 | $171,440 | $883,891 | $883,891 |
| Construction in Progress | 0 | 0 | 0 | 0 | 0 | 0 |
| Buildings | 529,063 | 569,147 | 2,432,694 | 2,584,109 | 2,961,757 | 3,153,256 |
| Buildings Improvements | 123,395 | 119,402 | 344,959 | 434,623 | 468,354 | 554,025 |
| Machinery and Equipment | 211,609 | 268,721 | 1,561,603 | 1,715,566 | 1,773,212 | 1,984,287 |
| Infrastructure | 2,889,078 | 1,903,438 | 7,072,240 | 7,344,435 | 9,961,318 | 9,247,873 |
| Vehicles | 813,994 | 924,539 | 638,181 | 814,907 | 1,452,175 | 1,739,446 |
| Total | $5,279,590 | $4,497,698 | $12,221,117 | $13,065,080 | $17,500,707 | $17,562,778 |

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

## Debt

Table 4 summarizes outstanding debt. See Note 14 for additional details.

**Table 4**
**Outstanding Debt, at December 31**

Table 4
**Outstanding Debt, at December 31**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Bonds | $1,200,000 | $87,467 | $17,000 | $53,000 | $1,217,000 | $140,467 |
| Police and Fire Pension | 112,594 | 119,330 | 0 | 0 | 112,594 | 119,330 |
| ODOT Loan | 267,101 | 280,461 | 0 | 0 | 267,101 | 280,461 |
| Street Sweeper 2019 | 43,050 | 56,341 | 64,573 | 84,510 | 107,623 | 140,851 |
| USDA Loans | 185,792 | 201,255 | 436,080 | 474,648 | 621,872 | 675,903 |
| OPWC Loans | 52,525 | 68,542 | 301,587 | 347,135 | 354,112 | 415,677 |
| OWDA Loans | 0 | 0 | 3,431,029 | 3,740,612 | 3,431,029 | 3,740,612 |
| Vacall Loan | 0 | 0 | 133,239 | 174,723 | 133,239 | 174,723 |
| Packer Loan | 0 | 0 | 47,199 | 69,388 | 47,199 | 69,388 |
| Total | $1,861,062 | $813,396 | $4,430,707 | $4,944,016 | $6,291,769 | $5,757,412 |

### *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 Jack Regis Sr., Auditor of Martins Ferry, Ohio, at 35 South 5th Street, Martins Ferry, Ohio 43935 or mfauditor@yahoo.com.

*CITY OF MARTINS FERRY, OHIO*

*Statement of Net Position*

*December 31, 2022*

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **Assets:** | | | |
| Equity in Pooled Cash and Investments | $2,110,032 | $1,832,123 | $3,942,155 |
| Investments in Segregated Accounts | 184,422 | 0 | 184,422 |
| Accounts Receivable | 125,464 | 380,792 | 506,256 |
| Intergovernmental Receivable | 470,752 | 0 | 470,752 |
| Taxes Receivable | 1,173,487 | 0 | 1,173,487 |
| Income Taxes Receivable | 530,599 | 0 | 530,599 |
| Materials and Supplies Inventory | 7,900 | 81,136 | 89,036 |
| Internal Balances | 56,418 | (56,418) | 0 |
| Net OPEB Assets | 223,492 | 242,698 | 466,190 |
| *Restricted Assets:* | | | |
| Restricted Cash & Cash Equivalents | 0 | 20,028 | 20,028 |
| Nondepreciable Capital Assets | 712,451 | 171,440 | 883,891 |
| Depreciable Capital Assets, Net | 4,567,139 | 12,049,677 | 16,616,816 |
| *Total Assets* | 10,162,156 | 14,721,476 | 24,883,632 |
| **Deferred Outflows of Resources** | | | |
| Pension | 1,028,848 | 409,482 | 1,438,330 |
| OPEB | 203,401 | 8,894 | 212,295 |
| Asset Retirement Obligation | 0 | 345,055 | 345,055 |
| *Total Deferred Outflows of Resources* | 1,232,249 | 763,431 | 1,995,680 |
| **Liabilities:** | | | |
| Accounts Payable | 144,106 | 62,712 | 206,818 |
| Accrued Wages | 103,986 | 66,217 | 170,203 |
| Contracts Payable | 0 | 69,658 | 69,658 |
| Intergovernmental Payable | 52,072 | 16,852 | 68,924 |
| Accrued Interest Payable | 34,156 | 4,555 | 38,711 |
| Unearned Revenue | 342,694 | 0 | 342,694 |
| Refundable Deposits | 0 | 20,028 | 20,028 |
| *Long-Term Liabilities:* | | | |
| Due within One Year | 316,024 | 548,982 | 865,006 |
| *Due in More Than One Year:* | | | |
| Net Pension Liability | 2,702,066 | 874,090 | 3,576,156 |
| Net OPEB Liability | 332,850 | 0 | 332,850 |
| Other Amounts Due in More Than One Year | 2,044,724 | 4,488,374 | 6,533,098 |
| *Total Liabilities* | 6,072,678 | 6,151,468 | 12,224,146 |
| **Deferred Inflows of Resources** | | | |
| Property Taxes Levied for the Next Year | 1,005,446 | 0 | 1,005,446 |
| Pension | 1,668,483 | 1,116,794 | 2,785,277 |
| OPEB | 385,351 | 300,577 | 685,928 |
| *Total Deferred Inflows of Resources* | 3,059,280 | 1,417,371 | 4,476,651 |
| **Net Position:** | | | |
| Net Investments in Capital Assets | 3,309,577 | 7,771,949 | 11,081,526 |
| *Restricted for:* | | | |
| Capital Outlay | 438,396 | 0 | 438,396 |
| Other Purposes | 1,398,512 | 0 | 1,398,512 |
| Unrestricted (Deficit) | (2,884,038) | 144,119 | (2,739,919) |
| Total Net Position | $2,262,447 | $7,916,068 | $10,178,515 |

See accompanying notes to the basic financial statements and accountant's report.

*CITY OF MARTINS FERRY, OHIO*
*Statement of Activities*
*December 31, 2022*

| | | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| **Governmental Activities:** | | | | | | |
| General Government | $1,081,954 | $551,954 | $3,279 | ($526,721) | $0 | ($526,721) |
| Security of Persons and Property | 2,958,477 | 777,096 | 65,518 | (2,115,863) | 0 | (2,115,863) |
| Public Health | 68,360 | 26,595 | 0 | (41,765) | 0 | (41,765) |
| Leisure Time Activities | 77,531 | 21,741 | 0 | (55,790) | 0 | (55,790) |
| Transportation | 911,146 | 9,383 | 416,340 | (485,423) | 0 | (485,423) |
| Interest and Fiscal Charges | 77,882 | 0 | 0 | (77,882) | 0 | (77,882) |
| *Total Governmental Activities* | 5,175,350 | 1,386,769 | 485,137 | (3,303,444) | 0 | (3,303,444) |
| **Business-Type Activities:** | | | | | | |
| Water | 3,641,605 | 3,913,655 | 0 | 0 | 272,050 | 272,050 |
| Sanitation | 843,523 | 933,579 | 0 | 0 | 90,056 | 90,056 |
| Sewer | 652,326 | 738,701 | 0 | 0 | 86,375 | 86,375 |
| *Total Business-Type Activities* | 5,137,454 | 5,585,935 | 0 | 0 | 448,481 | 448,481 |
| *Totals* | $10,312,804 | $6,972,704 | $485,137 | (3,303,444) | 448,481 | (2,854,963) |

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **General Revenues:** | | | |
| *Property Taxes Levied for:* | | | |
| General Purposes | 202,808 | 0 | 202,808 |
| Capital Outlay | 62,376 | 0 | 62,376 |
| Police and Fire | 785,504 | 0 | 785,504 |
| *Income Taxes:* | | | |
| General Purposes | 1,809,454 | 0 | 1,809,454 |
| Grants and Entitlements not Restricted to Specific Programs | 300,677 | 0 | 300,677 |
| Other Local Taxes | 170,805 | 0 | 170,805 |
| Investment Earnings | 46,294 | 0 | 46,294 |
| Miscellaneous | 59,264 | 34,038 | 93,302 |
| Transfers | | | 0 |
| *Total General Revenues* | 3,437,182 | 34,038 | 3,471,220 |
| Transfers | | | 0 |
| *Extraordinary Item:* | | | |
| Write-off Loans Receivable | | 0 | 0 |
| *Total General Revenues and Transfers* | 3,437,182 | 34,038 | 3,471,220 |
| *Change in Net Position* | 133,738 | 482,519 | 616,257 |
| Net Position at Beginning of Year | 2,128,709 | 7,433,549 | 9,562,258 |
| Net Position at End of Year | $2,262,447 | $7,916,068 | $10,178,515 |

See accompanying notes to the basic financial statements and accountant's report.

## *CITY OF MARTINS FERRY, OHIO*

*Balance Sheet*
*Governmental Funds*
*December 31, 2022*

| | General | Street Maintenance and Repair | Fire and Ambulance | Street Paving | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Equity in Pooled Cash and Investments | $519,396 | $216,984 | $143,636 | $314,091 | $915,925 | $2,110,032 |
| Investments in Segregated Accounts | 0 | 0 | 0 | 0 | 184,422 | 184,422 |
| Accounts Receivable | 38,037 | 0 | 87,426 | 0 | 0 | 125,463 |
| Intergovernmental Receivable | 133,087 | 290,607 | 0 | 0 | 47,058 | 470,752 |
| Taxes Receivable | 235,791 | 0 | 0 | 0 | 937,696 | 1,173,487 |
| Income Taxes Receivable | 435,091 | 74,284 | 0 | 21,224 | 0 | 530,599 |
| Advances to Other Funds | 0 | 0 | 0 | 0 | 68,292 | 68,292 |
| Materials and Supplies Inventory | 0 | 7,900 | 0 | 0 | 0 | 7,900 |
| *Total Assets* | $1,361,402 | $589,775 | $231,062 | $335,315 | $2,153,393 | $4,670,947 |
| **Liabilities:** | | | | | | |
| Accounts Payable | $135,088 | $0 | $3,789 | $0 | $5,229 | $144,106 |
| Accrued Wages Payable | 67,916 | 0 | 17,982 | 0 | 18,088 | 103,986 |
| Intergovernmental Payable | 42,891 | 0 | 4,577 | 0 | 4,604 | 52,072 |
| Unearned Revenue | 0 | 0 | 0 | 0 | 342,694 | 342,694 |
| Advances from Other Funds | 0 | 11,874 | 0 | 0 | 0 | 11,874 |
| *Total Liabilities* | 245,895 | 11,874 | 26,348 | 0 | 370,615 | 654,732 |
| **Deferred Inflows of Resources:** | | | | | | |
| Property Taxes Levied for the Next Year | 202,978 | 0 | 0 | 0 | 802,468 | 1,005,446 |
| Unavailable Revenue | 394,240 | 221,956 | 36,368 | 10,731 | 168,929 | 832,224 |
| *Total Deferred Inflows of Resources* | 597,218 | 221,956 | 36,368 | 10,731 | 971,397 | 1,837,670 |
| **Fund Balances:** | | | | | | |
| Nonspendable | 0 | 7,900 | 0 | 0 | 252,714 | 260,614 |
| Restricted | 0 | 348,044 | 0 | 324,584 | 556,660 | 1,229,288 |
| Committed | 52,150 | 0 | 168,347 | 0 | 2,007 | 222,504 |
| Assigned | 293,845 | 0 | 0 | 0 | 0 | 293,845 |
| Unassigned | 172,294 | 0 | 0 | 0 | 0 | 172,294 |
| *Total Fund Balances* | 518,289 | 355,944 | 168,347 | 324,584 | 811,381 | 2,178,545 |
| *Total Liabilities, Deferred Inflows of Resources and Fund Balances* | $1,361,402 | $589,774 | $231,063 | $335,315 | $2,153,393 | $4,670,947 |

See accompanying notes to the basic financial statements and accountant's report.

***CITY OF MARTINS FERRY, OHIO***

*Reconciliation of Total Governmental Fund Balances to*

*Net Position of Governmental Activities*

*December 31, 2022*

| | | |
|---|---|---|
| **Total Governmental Funds Balances** | | $2,178,545 |
| ***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. | | 5,279,590 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: | | |
| Property Taxes | 162,538 | |
| Income Taxes | 306,712 | |
| Intergovernmental | 326,310 | |
| Accounts Receivable | 36,665 | |
| Total | | 832,225 |
| In the Statement of Activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is reported when due. | | (34,156) |
| Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds: | | |
| General Obligation Bond | (1,200,000) | |
| OPWC Loans | (52,525) | |
| ODOT Loan | (267,101) | |
| USDA Loans | (185,792) | |
| Street Sweeper Loan | (43,050) | |
| Police & Fire Pension | (112,594) | |
| Capital Leases | (259,517) | |
| Compensated Absences | (240,169) | |
| Total | | (2,360,748) |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds: | | |
| Deferred Outflows - Pension | 1,028,848 | |
| Deferred Outflows - OPEB | 203,401 | |
| Deferred Inflows - Pension | (1,668,483) | |
| Deferred Inflows - OPEB | (385,351) | |
| Net OPEB Assets | 223,492 | |
| Net Pension Liability | (2,702,066) | |
| Net OPEB Liability | (332,850) | |
| Total | | (3,633,009) |
| *Net Position of Governmental Activities* | | $2,262,447 |

See accompanying notes to the basic financial statements and accountant's report.

## *CITY OF MARTINS FERRY, OHIO*

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

| | General | Street Maintenance and Repair | Fire and Ambulance | Street Paving | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | |
| Property Taxes | $201,009 | $0 | $0 | $0 | $788,146 | $989,155 |
| Income Taxes | 1,573,494 | 155,461 | 0 | 72,869 | 0 | 1,801,824 |
| Other Local Taxes | 0 | 0 | 0 | 0 | 170,805 | 170,805 |
| Charges for Services | 421,771 | 0 | 643,119 | 0 | 47,467 | 1,112,357 |
| Licenses and Permits | 186,699 | 0 | 0 | 0 | 18,203 | 204,902 |
| Fines and Forfeitures | 61,265 | 0 | 0 | 0 | 16,042 | 77,307 |
| Intergovernmental | 297,310 | 400,823 | 0 | 0 | 97,726 | 795,859 |
| Investment Income | 30,960 | 2,196 | 0 | 4,912 | 8,226 | 46,294 |
| Rent | 3,600 | 0 | 10,606 | 0 | 21,741 | 35,947 |
| Contributions and Donations | 3,279 | 0 | 0 | 0 | 0 | 3,279 |
| Miscellaneous | 19,949 | 1,886 | 10,443 | 0 | 26,986 | 59,264 |
| *Total Revenues* | 2,799,336 | 560,366 | 664,168 | 77,781 | 1,195,342 | 5,296,993 |
| **Expenditures:** | | | | | | |
| *Current:* | | | | | | |
| General Government | 1,143,421 | 0 | 0 | 0 | 3,433 | 1,146,854 |
| Security of Persons and Property | 1,595,540 | 0 | 576,985 | 0 | 793,792 | 2,966,317 |
| Public Health | 12,997 | 0 | 0 | 0 | 66,494 | 79,491 |
| Leisure Time Services | 0 | 0 | 0 | 0 | 44,383 | 44,383 |
| Transportation | 0 | 562,016 | 0 | 1,874 | 209,035 | 772,925 |
| Capital Outlay | 0 | 3,384 | 0 | 951,323 | 297,916 | 1,252,623 |
| *Debt Service:* | | | | | | |
| Principal Retirement | 111,339 | 19,933 | 25,710 | 0 | 111,338 | 268,320 |
| Interest and Fiscal Charges | 26,025 | 5,464 | 3,495 | 0 | 8,742 | 43,726 |
| *Total Expenditures* | 2,889,322 | 590,797 | 606,190 | 953,197 | 1,535,133 | 6,574,639 |
| *Excess of Revenues Over (Under) Expenditures* | (89,986) | (30,431) | 57,978 | (875,416) | (339,791) | (1,277,646) |
| **Other Financing Sources (Uses):** | | | | | | |
| General Obligation Bonds Issued | 0 | 0 | 0 | 1,200,000 | 0 | 1,200,000 |
| Inception of Capital Lease | 0 | 42,191 | 0 | 0 | 0 | 42,191 |
| Transfers In | 0 | 20,737 | 0 | 0 | 46,800 | 67,537 |
| Transfers Out | (67,537) | 0 | 0 | 0 | 0 | (67,537) |
| *Total Other Financing Sources (Uses)* | (67,537) | 62,928 | 0 | 1,200,000 | 46,800 | 1,242,191 |
| *Net Change in Fund Balances* | (157,523) | 32,497 | 57,978 | 324,584 | (292,991) | (35,455) |
| *Fund Balances at Beginning of Year* | 675,812 | 323,447 | 110,369 | 0 | 1,104,372 | 2,214,000 |
| *Fund Balances at End of Year* | $518,289 | $355,944 | $168,347 | $324,584 | $811,381 | $2,178,545 |

See accompanying notes to the basic financial statements and accountant's report.

*CITY OF MARTINS FERRY, 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** | | ($35,455) |
| ***Amounts reported for governmental activities in the Statement of Activities are different because:*** | | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period: | | |
| Capital Asset Additions | 1,296,480 | |
| Current Year Depreciation | (514,588) | |
| Total | | 781,892 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds: | | |
| Property Taxes | (844) | |
| Income Taxes | 70,006 | |
| Intergovernmental | (13,620) | |
| Accounts Receivable | (43,447) | |
| Total | | 12,095 |
| Repayment of principal (e.g. bonds, loans, leases) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | | 268,320 |
| In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | | (34,156) |
| Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as an expenditure in the governmental funds. | | |
| Compensated Absences Payable | | (46,135) |
| Other financing sources in the governmental funds that increase long-term liabilities in the Statement of Net Position are not reported as revenues in the Statement of Activities: | | |
| Inception of Capital Leases | (42,191) | |
| Bonds Issued | (1,200,000) | |
| Total | | (1,242,191) |
| Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Activities reports these amounts as deferred revenues. | | |
| Pension | 380,853 | |
| OPEB | 4,559 | |
| Total | | 385,412 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities. | | |
| Pension | (74,814) | |
| OPEB | 118,770 | |
| Total | | 43,956 |
| *Change in Net Position of Governmental Activities* | | $133,738 |

See accompanying notes to the basic financial statements and accountant's report.

**_CITY OF MARTINS FERRY, OHIO_**

*Statement of Revenues, Expenditures, and*
*Changes in Fund Balances - Budget and Actual (Budget Basis)*
*General Fund*
*For the Year Ended December 31, 2022*

| | Budgeted Amounts | | | Variance with Final Budget |
|---|---|---|---|---|
| | Original | Final | Actual | Positive (Negative) |
| **Revenues:** | | | | |
| Property Taxes | $216,439 | $172,366 | $201,009 | $28,643 |
| Income Taxes | 1,395,651 | 1,271,961 | 1,483,483 | 211,522 |
| Charges for Services | 354,475 | 323,059 | 376,635 | 53,576 |
| Licenses and Permits | 181,739 | 165,632 | 193,045 | 27,413 |
| Fines and Forfeitures | 58,979 | 53,752 | 61,265 | 7,513 |
| Intergovernmental | 278,068 | 253,424 | 295,591 | 42,167 |
| Investment Income | 29,155 | 26,572 | 30,960 | 4,388 |
| Rent | 3,387 | 3,086 | 3,600 | 514 |
| Contributions and Donations | 3,152 | 2,872 | 3,279 | 407 |
| Miscellaneous | 18,955 | 17,276 | 19,949 | 2,673 |
| *Total Revenues* | 2,540,000 | 2,290,000 | 2,668,816 | 378,816 |
| **Expenditures:** | | | | |
| *Current:* | | | | |
| General Government | 1,023,337 | 1,036,178 | 978,568 | 57,610 |
| Security of Persons and Property | 1,562,493 | 1,643,405 | 1,577,668 | 65,737 |
| Public Health | 13,405 | 13,210 | 12,997 | 213 |
| *Debt Service:* | | | | |
| Principal Retirements | 107,581 | 113,170 | 111,339 | 1,831 |
| Interest and Fiscal Charges | 25,206 | 26,516 | 26,025 | 491 |
| *Total Expenditures* | 2,732,022 | 2,832,479 | 2,706,597 | 125,882 |
| *Excess of Revenues Over (Under) Expenditures* | (192,022) | (542,479) | (37,781) | 504,698 |
| **Other Financing Sources:** | | | | |
| Transfers Out | (47,000) | (67,537) | (67,537) | 0 |
| Advances Out | (3,848) | (3,848) | (3,782) | 66 |
| *Total Other Financing Sources* | (50,848) | (71,385) | (71,319) | 66 |
| *Net Change in Fund Balance* | (242,870) | (613,864) | (109,100) | 504,764 |
| Fund Balance Beginning of Year | 379,560 | 379,560 | 379,560 | 0 |
| Prior Year Encumbrances Appropriated | 45,513 | 45,513 | 45,513 | 0 |
| Fund Balance End of Year | $182,203 | ($188,791) | $315,973 | $504,764 |

See accompanying notes to the basic financial statements and accountant's report.

***CITY OF MARTINS FERRY, OHIO***

*Statement of Revenues, Expenditures, and*
*Changes in Fund Balances - Budget and Actual (Budget Basis)*
*Street Maintenance and Repair Fund*
*For the Year Ended December 31, 2022*

| | Budgeted Amounts | | | Variance with Final Budget |
|---|---|---|---|---|
| | Original | Final | Actual | Positive (Negative) |
| **Revenues:** | | | | |
| Income Taxes | $152,080 | $103,743 | $131,424 | $27,681 |
| Intergovernmental | 471,929 | 321,934 | 408,642 | 86,708 |
| Investment Income | 2,598 | 1,772 | 2,196 | 424 |
| Miscellaneous | 2,651 | 1,809 | 1,886 | 77 |
| *Total Revenues* | 629,258 | 429,258 | 544,148 | 114,890 |
| **Expenditures:** | | | | |
| *Current:* | | | | |
| Transportation | 567,342 | 624,583 | 538,842 | 85,741 |
| Capital Outlay | 10,492 | 11,550 | 10,317 | 1,233 |
| Debt Service: | | | | |
| Principal Retirements | 89,203 | 98,202 | 87,686 | 10,516 |
| Interest and Fiscal Charges | 5,841 | 6,430 | 5,464 | 966 |
| *Total Expenditures* | 672,878 | 740,765 | 642,309 | 98,456 |
| *Excess of Revenues Over (Under) Expenditures* | (43,620) | (311,507) | (98,161) | 213,346 |
| **Other Financing Sources:** | | | | |
| Transfers In | 20,742 | 20,742 | 20,737 | (5) |
| Advances Out | (627) | (627) | (627) | 0 |
| *Total Other Financing Sources* | 20,115 | 20,115 | 20,110 | (5) |
| *Net Change in Fund Balance* | (23,505) | (291,392) | (78,051) | 213,341 |
| Fund Balances at Beginning of Year | 144,910 | 144,910 | 144,910 | 0 |
| Prior Year Encumbrances Appropriated | 74,354 | 74,354 | 74,354 | 0 |
| Fund Balances at End of Year | $195,759 | ($72,128) | $141,213 | $213,341 |

See accompanying notes to the basic financial statements and accountant's report.

***CITY OF MARTINS FERRY, OHIO***
*Statement of Revenues, Expenditures, and*
*Changes in Fund Balances - Budget and Actual (Budget Basis)*
*Fire and Ambulance Fund*
*For the Year Ended December 31, 2022*

| | Budgeted Amounts | | | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **Revenues:** | | | | |
| Charges for Services | $517,539 | $864,684 | $641,520 | ($223,164) |
| Rent | 8,632 | 14,422 | 10,606 | (3,816) |
| Miscellaneous | 8,829 | 14,751 | 10,443 | (4,308) |
| *Total Revenues* | 535,000 | 893,857 | 662,569 | (231,288) |
| **Expenditures:** | | | | |
| *Current:* | | | | |
| Security of Persons and Property | 549,427 | 643,690 | 594,837 | 48,853 |
| Debt Service: | | | | |
| Principal Retirements | 22,965 | 26,905 | 25,710 | 1,195 |
| Interest and Fiscal Charges | 3,121 | 3,658 | 3,495 | 163 |
| *Total Expenditures* | 575,513 | 674,253 | 624,042 | 50,211 |
| *Excess of Revenues Over (Under) Expenditures* | (40,513) | 219,604 | 38,527 | (181,077) |
| Fund Balances at Beginning of Year | 53,747 | 53,747 | 53,747 | 0 |
| Prior Year Encumbrances Appropriated | 29,954 | 29,954 | 29,954 | 0 |
| Fund Balances at End of Year | $43,188 | $303,305 | $122,228 | ($181,077) |

See accompanying notes to the basic financial statements and accountant's report.

*CITY OF MARTINS FERRY, OHIO*
*Statement of Fund Net Position*
*Proprietary Funds*
*December 31, 2022*

| | Business-Type Activities | | | |
|---|---|---|---|---|
| | Water | Sanitation | Sewer | Total |
| **Assets:** | | | | |
| *Current:* | | | | |
| Equity in Pooled Cash & Cash Equivalents | $1,284,282 | $200,808 | $347,033 | $1,832,123 |
| Accounts Receivable | 255,312 | 75,820 | 49,660 | 380,792 |
| Materials and Supplies Inventory | 81,136 | 0 | 0 | 81,136 |
| *Noncurrent:* | | | | |
| *Restricted Assets:* | | | | |
| Equity in Pooled Cash & Investments | 13,523 | 4,153 | 2,352 | 20,028 |
| Net OPEB Asset | 155,801 | 57,201 | 29,696 | 242,698 |
| Nondepreciable Capital Assets | 166,440 | 5,000 | 0 | 171,440 |
| Depreciable Capital Assets, Net | 10,640,303 | 409,949 | 999,425 | 12,049,677 |
| *Total Noncurrent Assets* | 10,976,067 | 476,303 | 1,031,473 | 12,483,843 |
| *Total Assets* | 12,596,797 | 752,931 | 1,428,166 | 14,777,894 |
| **Deferred Outflows of Resources** | | | | |
| Pension | 243,495 | 106,627 | 59,360 | 409,482 |
| OPEB | 0 | 0 | 8,894 | 8,894 |
| Asset Retirement Obligation | 0 | 0 | 345,055 | 345,055 |
| *Total Deferred Outflows of Resources* | 243,495 | 106,627 | 413,309 | 763,431 |
| **Liabilities:** | | | | |
| *Current:* | | | | |
| Accounts Payable | 47,927 | 11,441 | 3,344 | 62,712 |
| Accrued Wages Payable | 44,865 | 14,311 | 7,041 | 66,217 |
| Contracts Payable | 69,658 | 0 | 0 | 69,658 |
| Intergovernmental Payable | 11,418 | 3,643 | 1,791 | 16,852 |
| Accrued Interest Payable | 806 | 3,749 | 0 | 4,555 |
| Compensated Absences Payable | 22,633 | 2,832 | 6,017 | 31,482 |
| Capital Leases Payable | 7,932 | 5,235 | 0 | 13,167 |
| Loans Payable | 14,630 | 42,232 | 69,652 | 126,514 |
| OPWC Loans Payable | 45,329 | 0 | 0 | 45,329 |
| OWDA Loans Payable | 306,297 | 0 | 9,193 | 315,490 |
| General Obligation Bonds Payable | 0 | 0 | 17,000 | 17,000 |
| *Total Current Liabilities* | 571,495 | 83,443 | 114,038 | 768,976 |
| *Long-Term Liabilities:* | | | | |
| Refundable Deposits | 13,523 | 4,153 | 2,352 | 20,028 |
| Compensated Absences Payable - Net of Current Portion | 143,194 | 7,714 | 37,055 | 187,963 |
| Capital Leases Payable - Net of Current Portion | 0 | 10,294 | 0 | 10,294 |
| Loans Payable - Net of Current Portion | 0 | 222,237 | 332,340 | 554,577 |
| OPWC Loans Payable - Net of Current Portion | 256,258 | 0 | 0 | 256,258 |
| OWDA Loans Payable - Net of Current Portion | 2,981,733 | 0 | 133,806 | 3,115,539 |
| Advances from Other Funds | 0 | 10,647 | 45,771 | 56,418 |
| Asset Retirement Obligation | 0 | 0 | 363,743 | 363,743 |
| Net Pension Liability | 561,123 | 206,014 | 106,953 | 874,090 |
| *Total Long-Term Liabilities* | 3,955,831 | 461,059 | 1,022,020 | 5,438,910 |
| *Total Liabilities* | 4,527,326 | 544,502 | 1,136,058 | 6,207,886 |
| **Deferred Inflows of Resources** | | | | |
| Pension | 711,937 | 251,867 | 152,990 | 1,116,794 |
| OPEB | 197,384 | 65,595 | 37,598 | 300,577 |
| *Total Deferred Inflows of Resources* | 909,321 | 317,462 | 190,588 | 1,417,371 |
| **Net Position:** | | | | |
| Net Investments in Capital Assets | 7,194,564 | 139,951 | 437,434 | 7,771,949 |
| Unrestricted | 209,081 | (142,357) | 77,395 | 144,119 |
| *Total Net Position* | $7,403,645 | ($2,406) | $514,829 | $7,916,068 |

See accompanying notes to the basic financial statements and accountant's report.

# *CITY OF MARTINS FERRY, OHIO*

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

| | Business-Type Activities | | | |
|---|---|---|---|---|
| | Water | Sanitation | Sewer | Totals |
| **Operating Revenues:** | | | | |
| Charges for Services | $3,913,655 | $933,579 | $738,701 | $5,585,935 |
| Other | 25,745 | 6,799 | 1,494 | 34,038 |
| *Total Operating Revenues* | 3,939,400 | 940,378 | 740,195 | 5,619,973 |
| **Operating Expenses:** | | | | |
| Personal Services | 1,333,127 | 491,198 | 327,611 | 2,151,936 |
| Contractual Services | 781,085 | 223,707 | 165,465 | 1,170,257 |
| Materials and Supplies | 741,120 | 60,680 | 48,759 | 850,559 |
| Depreciation | 720,025 | 57,568 | 99,159 | 876,752 |
| *Total Operating Expenses* | 3,575,357 | 833,153 | 640,994 | 5,049,504 |
| *Operating Income (Loss)* | 364,043 | 107,225 | 99,201 | 570,469 |
| **Non-Operating Revenues (Expenses):** | | | | |
| Interest and Fiscal Charges | (66,248) | (10,370) | (11,332) | (87,950) |
| *Total Non-Operating Revenues (Expenses)* | (66,248) | (10,370) | (11,332) | (87,950) |
| *Income/(Loss) Before Transfers* | 297,795 | 96,855 | 87,869 | 482,519 |
| Net Position at Beginning of Year | 7,105,850 | (99,261) | 426,960 | 7,433,549 |
| Net Position at End of Year | $7,403,645 | ($2,406) | $514,829 | $7,916,068 |

See accompanying notes to the basic financial statements and accountant's report.

*CITY OF MARTINS FERRY, OHIO*
*Statement of Cash Flows*
*Proprietary Funds*
*For the Year Ended December 31, 2022*

| | Business-Type Activities | | | |
|---|---|---|---|---|
| | Water | Sanitation | Sewer | Totals |
| **Cash Flows from Operating Activities:** | | | | |
| Cash Received from Customers | $3,934,570 | $932,676 | $738,588 | $5,605,834 |
| Cash from Other Receipts | 25,745 | 6,799 | 1,494 | 34,038 |
| Cash Payments to Employees | (1,737,307) | (623,349) | (368,311) | (2,728,967) |
| Cash Payments for Contractual Services | (810,614) | (221,705) | (146,210) | (1,178,529) |
| Cash Payments for Supplies and Materials | (716,931) | (59,863) | (49,378) | (826,172) |
| *Net Cash from Operating Activities* | 695,463 | 34,558 | 176,183 | 906,204 |
| **Cash Flows from Noncapital Financing Activities:** | | | | |
| Advances - Out to Other Funds | 0 | (3,584) | (18,434) | (22,018) |
| *Net Cash from Noncapital Financing Activities* | 0 | (3,584) | (18,434) | (22,018) |
| **Cash Flows from Capital and Related Financing Activities:** | | | | |
| Interest Paid on Notes and Loans | (66,627) | (10,656) | (22,005) | (99,288) |
| Principal Paid on Notes and Loans | (416,319) | (45,870) | (92,269) | (554,458) |
| Cash Paid to Acquire/Construct Capital Assets | (36,049) | (1,001) | 0 | (37,050) |
| *Net Cash from Capital and Related Financing Activities* | (518,995) | (57,527) | (114,274) | (690,796) |
| *Net Increase (Decrease) in Cash and Cash Equivalents* | 176,468 | (26,553) | 43,475 | 193,390 |
| Cash and Cash Equivalents at Beginning of Year | 1,121,337 | 231,514 | 305,910 | 1,658,761 |
| Cash and Cash Equivalents at End of Year | $1,297,805 | $204,961 | $349,385 | $1,852,151 |

See accompanying notes to the basic financial statements and accountant's report.

## *CITY OF MARTINS FERRY, OHIO*

*Statement of Cash Flows*
*Proprietary Funds*
*For the Year Ended December 31, 2022*

| | Business-Type Activities | | | |
|---|---|---|---|---|
| | Water | Sanitation | Sewer | Totals |
| **Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:** | | | | |
| Operating Income (Loss) | $364,043 | $107,225 | $99,201 | $570,469 |
| **Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:** | | | | |
| Depreciation Expense | 720,025 | 57,568 | 99,159 | 876,752 |
| **Changes in Assets and Liabilities:** | | | | |
| (Increase) Decrease in Accounts Receivable | 20,915 | (903) | (113) | 19,899 |
| (Increase) Decrease in Material and Supply Inventory | (27,387) | 0 | 0 | (27,387) |
| (Increase) Decrease in Net OPEB Asset | (44,506) | (19,168) | (5,484) | (69,158) |
| (Increase) Decrease in Deferred Outflows of Resources | (54,071) | (42,102) | (311,755) | (407,928) |
| Increase (Decrease) in Accounts Payable | 26,527 | 817 | (1,186) | 26,158 |
| Increase (Decrease) in Contracts Payable | (11,000) | 0 | 0 | (11,000) |
| Increase (Decrease) in Accrued Wages Payable | 1,002 | (849) | (2,820) | (2,667) |
| Increase (Decrease) in Compensated Absences | 49,860 | 4,811 | 25,265 | 79,936 |
| Increase (Decrease) in Refundable Deposits | 6,520 | 2,002 | 1,134 | 9,656 |
| Increase (Decrease) in Intergovernmental Payable | 1,196 | (43) | (559) | 594 |
| Increase (Decrease) in Asset Retirement Obligation | 0 | 0 | 363,743 | 363,743 |
| Increase (Decrease) in Net Pension Liability | (402,986) | (123,452) | (102,785) | (629,223) |
| Increase (Decrease) in Deferred Inflows of Resources | 45,325 | 48,652 | 12,383 | 106,360 |
| *Net Cash from Operating Activities* | $695,463 | $34,558 | $176,183 | $906,204 |

See accompanying notes to the basic financial statements and accountant's report.

***CITY OF MARTINS FERRY, OHIO***

*Statement of Fiduciary Net Position*

*Fiduciary Fund*

*December 31, 2022*

| | Custodial |
|---|---|
| **Assets:** | |
| Equity in Pooled Cash & Cash Equivalents | $42,195 |
| Cash and Cash Equivalents in Segregated Accounts | 130 |
| *Total Assets* | 42,325 |
| **Net Position:** | |
| Restricted for Individuals, Organizations and Other Governments | 42,325 |
| *Total Net Position* | $42,325 |

See accompanying notes to the basic financial statements and accountant's report.

***CITY OF MARTINS FERRY, OHIO***

*Statement of Changes in Fiduciary Net Position*

*Fiduciary Fund*

*For the Year Ended December 31, 2022*

| | Custodial |
|---|---|
| **Additions** | |
| Fines and Forfeitures Collections for Other Governments | $162,187 |
| *Total Additions* | 162,187 |
| **Deductions** | |
| Fines and Forfeitures Distributions to Other Governments | 162,661 |
| *Total Deductions* | 162,661 |
| *Change in Net Position* | (474) |
| *Net Position at Beginning of Year* | 42,799 |
| *Net Position at End of Year* | $42,325 |

See accompanying notes to the basic financial statements and accountant's report.

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## NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

The City of Martins Ferry (the "City") is a municipal corporation established under the laws of the State of Ohio. The City operates under a Mayor/Council form of government Legislative power is vested in an eight member Council, each elected for two year terms, and other elected officials that include a Mayor, Auditor, Treasurer, and Law Director. The Mayor appoints the department directors and public members of various boards and commissions.

The City is located in Belmont County, in Eastern Ohio, on the Ohio River and is the largest city in Belmont County. The City became a settlement in 1835 and was chartered as a city in 1865.

### *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 and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, water and water pollution control, sanitation and general administrative services. The operation of each of these activities is directly controlled by the 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 Belmont Metropolitan Housing Authority, Eastern Ohio Regional Transit Authority, Ohio Mid-Eastern Governments Association, Jefferson-Belmont Joint Solid Waste Authority, Belmont County Sewer Authority, and Bel-O-Mar Regional Council which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 17.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local 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, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

The Statement of Net Position presents the financial condition of the governmental and business-type activities 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. Fiduciary funds are reported by type.

### *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 three categories of funds: governmental, proprietary, and fiduciary.

***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 and liabilities and deferred inflows 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 and 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.

***Fire and Ambulance Fund*** The fire and ambulance special revenue fund is used to account for fees charged and property taxes collected for ambulance services.

***Street Paving Fund*** The street paving fund is used to account for funds used to evaluate road conditions and prioritize maintenance as needed.

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 Funds*** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the City's proprietary fund type:

***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, sanitation, and sewer 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.

***Sanitation Fund*** The sanitation fund accounts for the provision of sanitation 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.

***Fiduciary Funds*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. The City's custodial fund accounts for monies acquired by the police department in the course of arrests and funds set aside to be used in the reclamation of properties destroyed by fire where insurance proceeds are not sufficient and includes the court collections of the Mayor's Court that are distributed to other entities.

***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and 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 (i.e. revenues) and decreases (i.e. expenses) in total net position.

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

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

Fiduciary funds present a Statement of Changes in Fiduciary Net Position which reports additions to and deductions from custodial funds.

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the 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*** Revenues 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 fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of the year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (See Note 7). Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide Statement of Net Position for pension, OPEB, and Asset Retirement Obligation. The deferred outflows of resources related to pension and OPEB are explained in Notes 12 and 13.

In addition to liabilities, the Statements of Net Position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period 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 12 and 13)

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

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

### *E. Budgetary Data*

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

### *F. Cash and Investments*

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and investments." Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost.

The City also has two accounts that are maintained separately from the City's deposits. These depository accounts are presented on the financial statements as "investments in segregated accounts" and "cash in segregated accounts."

During fiscal year 2022, the City's investments were limited to a certificate of deposit, a money market and a repurchase agreement.

Investment procedures are restricted by the provisions of the Ohio Revised Code and the City's investment policy. Interest revenue credited to the general fund during 2022 amounted to $30,960, which includes $25,342 assigned from other City funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

### *G. 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.

### *H. Materials and Supplies Inventory*

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

### *I. 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 deposit payable liability account.

### *J. Capital Assets*

General capital assets are capital assets that are associated 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 proprietary funds are reported in both 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 are updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The City maintains a capitalization threshold of $5,000, except for infrastructure which is set at $10,000. 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. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All reported capital assets, except for land and construction in progress, 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 | 40 Years | 40 Years |
| Buildings Improvements | 20-50 Years | 20-50 Years |
| Infrastructure | 15-50 Years | 15-50 Years |
| Equipment and Machinery | 3-20 Years | 3-20 Years |
| Vehicles | 5 Years | 5 Years |

The City reported infrastructure for governmental activities for the first time in 2004; therefore, the City only reports the amounts acquired after 2004.

### *K. Interfund Balances*

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them are reported as "due to/due from other funds."

On fund financial statements, long-term interfund loans are classified as "advances to/from other funds" on the Balance Sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for any net residual amounts due between governmental and business-type activities, which are presented as "internal balances."

### *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 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. Compensated Absences*

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. 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.

### *N. Pensions/Other Postemployment Benefits (OPEB)*

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net 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.

### *O. 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 (resolution) 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 (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by 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.

*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.

### *P. Net Position*

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. 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.

### *Q. 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 primarily for charges for services for water, sanitation and sewer services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

### *R. 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 non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

### *S. 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.

### *T. Estimates*

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

### *U. Leases*

The City serves as a lessee in various noncancellable leases. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

## NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases and related guidance from (GASB) Implementation Guide No. 2019-3, Leases.

GASB Statement 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the City's 2022 financial statements. The City also recognized $259,517 in governmental leases payable and $23,461 in Business-Type activities leases payables at January 1, 2022, which were offset by the intangible asset, right to use lease - vehicle.

The changes for GASB87 was incorporated in the City's 2022 financial statements; however, there was no effect on beginning net position/fund balance.

## NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the general fund and major special revenue funds 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 basis) as opposed to when susceptible to accrual (GAAP basis).

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

3. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as an assignment or commitment of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budget basis statements for the general fund and major special revenue funds.

### Net Change in Fund Balance

| Description | Net Changes in Fund Balance: General | Street Maintenance and Repair | Fire and Ambulance |
|---|---|---|---|
| Budget Basis | ($109,100) | ($78,051) | $38,527 |
| *Adjustments:* | | | |
| Revenue Accruals | (90,623) | 16,218 | 1,599 |
| Expenditure Accruals | 12,038 | (24,259) | 17,852 |
| Encumbrances | 24,575 | 75,771 | 0 |
| Other Financing Sources | 3,782 | 42,818 | 0 |
| *Prospective Difference:* | | | |
| Activity of Funds Reclassified For GAAP Reporting Purposes | 1,805 | 0 | 0 |
| *GAAP Basis* | ($157,523) | $32,497 | $57,978 |

* 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 5 - DEPOSITS AND INVESTMENTS

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

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

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

Inactive deposits are public deposits that 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, and Government National Mortgage Association. All federal ag6ncy 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 debt 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.

The Mayor's Court fund is maintained separately from the City's deposits. The carrying amount of the deposits is reported as "Cash in Segregated Accounts." The cemetery endowment fund has a non-negotiable certificate of deposit that is maintained separately from the City's deposits. The carrying amount of the certificate of deposit is reported as "Investment in Segregated Accounts."

### *Deposits*

***Custodial credit risk*** for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2022, $393,581 of the City's total bank balance of $828,100 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution.

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

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

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

### *Investments*

As of December 31, 2022, the City had the following investment and maturity:

| Investment Type | Measurement Amount | 6 Months or Less | Percent of Total |
|---|---|---|---|
| Cost: | | | |
| Repurchase Agreement | $3,410,829 | $3,410,829 | 100% |

***Interest Rate Risk*** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the City's investment policy limits investment portfolio maturities to five years or less.

***Custodial Credit Risk*** For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in State Statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

***Credit Risk*** The City's investments in the federal agency securities that underlie the City's repurchase agreement were rated AAA by Moody's Investor Services. The City has no investment policy that would further limit its investment choices.

***Concentration of Credit Risk*** The City places no limit on the amount that may be invested in any one issuer.

## NOTE 6 - INTERFUND ACTIVITY

### *A. Interfund Balances*

Interfund balances at December 31, 2022 consisted of the following:

| Funds | Advances to Other Funds | Advances from Other Funds |
|---|---|---|
| Governmental: | | |
| Street Maintenance & Repair | $0 | $11,874 |
| Nonmajor Governmental Funds | 68,292 | 0 |
| Business-Type: | | |
| Sanitation | 0 | 10,647 |
| Sewer | 0 | 45,771 |
| Total | $68,292 | $68,292 |

During 2017, the permanent improvement fund advanced $25,307 to the general and sewer fund for the down payment on a street sweeper. These advances will be repaid in monthly installments over 7 years at an interest rate of 3.2 percent.

During 2018, the permanent improvement fund advanced $25,090 to the sanitation fund for the first payment on a new packer. This advance will be repaid in monthly installments over 7 years at an interest rate of 4.18 percent.

During 2018, the permanent improvement fund advanced $47,512 to the sewer fund for the first payment on a new vacall sewer cleaner. This advance will be repaid in monthly installments over 7 years at an interest rate of 3.28 percent.

During 2019, the permanent improvement fund advanced $15,473 and $23,209 to the street maintenance and repair fund and sewer fund, respectively, for the first payment on a new street sweeper. These advance will be repaid in monthly installments over 7 years at an interest rate of 3.88 percent.

During 2020, the permanent improvement fund advanced $34,000 sewer fund for the City share of the TurfCare Lift Station project. This advance will be repaid in monthly installments over 5 years at an interest rate of 2.0 percent.

### *B. Interfund Transfers*

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

| Fund | Transfers In | Transfers Out |
|---|---|---|
| General | $0 | $67,537 |
| Street | 20,737 | 0 |
| *Nonmajor Governmental Funds:* | | |
| Cemetery | 40,000 | 0 |
| Safety Services | 6,800 | 0 |
| Total Nonmajor Funds | 46,800 | 0 |
| Totals | $67,537 | $67,537 |

Interfund transfers made from the general fund were done to provide additional resources for current operations.

## NOTE 7 - 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 $16.10 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 | $82,280,550 |
| Public Utilities - Real | 61,740 |
| Public Utilities -Personal | 5,830,070 |
| Total Assessed Valuation | $88,172,360 |

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 8 - INCOME TAXES

The City levies a municipal income tax of 1.0 percent, (increased from 0.75 percent effective June 1, 2014) on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside the City; however, the City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current rate.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax proceeds are to be used for the purpose of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services, facilities and capital improvements of the City as determined by City Council. In 2022, the proceeds were receipted to the general fund and the street, maintenance and repair fund. Proceeds were also receipted to the street paving fund from April – December 2022.

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## NOTE 9 - CAPITAL ASSETS

A summary of changes in capital assets during 2022 follows:

| | Balance 1/1/2022 | Additions/ Transfers | Deletions/ Transfers | Balance 12/31/2022 |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| *Nondepreciable Capital Assets:* | | | | |
| Land | $712,451 | $0 | $0 | $712,451 |
| Construction in Progress | 0 | | | 0 |
| Total Nondepreciable Assets | 712,451 | 0 | 0 | 712,451 |
| *Depreciable Capital Assets:* | | | | |
| Buildings | 2,178,398 | 0 | 0 | 2,178,398 |
| Buildings Improvements | 981,853 | 12,000 | 0 | 993,853 |
| Equipment and Machinery | 1,255,428 | 0 | 0 | 1,255,428 |
| Infrastructure | 2,851,115 | 1,132,106 | 0 | 3,983,221 |
| Vehicles | 3,122,510 | 110,183 | (36,285) | 3,196,408 |
| Vehicles - Intangible Right To Use** | 514,154 | 42,191 | 0 | 556,345 |
| Total Capital Assets being Depreciated | 10,903,458 | 1,296,480 | (36,285) | 12,163,653 |
| Less Accumulated Depreciation/ Amortization: | | | | |
| Buildings | (1,609,251) | (40,084) | 0 | (1,649,335) |
| Buildings Improvements | (862,451) | (8,007) | 0 | (870,458) |
| Equipment and Machinery | (986,707) | (57,112) | 0 | (1,043,819) |
| Infrastructure | (947,677) | (146,466) | 0 | (1,094,143) |
| Vehicles | (2,508,168) | (157,491) | 36,285 | (2,629,374) |
| Vehicles - Intangible Right To Use** | (203,957) | (105,428) | 0 | (309,385) |
| Total Accumulated Depreciation/Amortization | (7,118,211) | (514,588) | 36,285 | (7,596,514) |
| Total Depreciable Assets, Net | 3,785,247 | 781,892 | 0 | 4,567,139 |
| Governmental Activities Capital Assets, Net | $4,497,698 | $781,892 | $0 | $5,279,590 |

Depreciation expense was charged to governmental functions as follows:

| **Governmental Activities** | |
|---|---|
| General Government | $46,871 |
| Leisure Time Activities | 33,544 |
| Security of Persons and Property | 227,045 |
| Transportation | 203,787 |
| Public Health | 3,341 |
| Total Governmental Activities Depreciation Expense | $514,588 |

** Of the current year depreciation/amortization total of $514,588, amortization of $105,428 is presented on the Statement of Activities related to the City's intangible asset for vehicles, which is included as an Intangible Right to Use Lease. With the implementation of Governmental Accounting Standards Board Statement No. 87, Leases, a lease meeting the criteria of this statement requires the lessee to recognize the lease liability and an intangible right to use asset.

| | Balance 1/1/2022 | Additions/ Trasnfers | Decreases/ Transfers | Balance 12/31/2022 |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| *Nondepreciable Capital Assets:* | | | | |
| Land | $171,440 | $0 | $0 | $171,440 |
| Construction in Progress | 0 | | | 0 |
| Total Nondepreciable Assets | 171,440 | 0 | 0 | 171,440 |
| *Depreciable Capital Assets:* | | | | |
| Buildings | 6,331,798 | 0 | 0 | 6,331,798 |
| Buildings Improvements | 2,053,594 | 0 | 0 | 2,053,594 |
| Equipment and Machinery | 9,051,889 | 32,789 | 0 | 9,084,678 |
| Infrastructure | 10,847,739 | 0 | 0 | 10,847,739 |
| Vehicles | 1,687,615 | 0 | (18,143) | 1,669,472 |
| Vehicles - Intangible Right To Use | 130,296 | 0 | 0 | 130,296 |
| Total Depreciable Assets | 30,102,931 | 32,789 | (18,143) | 30,117,577 |
| Less Accumulated Depreciation/ Amortization: | | | | |
| Buildings | (3,747,689) | (151,415) | 0 | (3,899,104) |
| Buildings Improvements | (1,618,971) | (89,664) | 0 | (1,708,635) |
| Equipment and Machinery | (7,336,323) | (185,665) | 0 | (7,521,988) |
| Infrastructure | (3,503,304) | (272,195) | 0 | (3,775,499) |
| Vehicles | (965,099) | (155,241) | 18,143 | (1,102,197) |
| Vehicles - Intangible Right To Use** | (37,905) | (22,572) | 0 | (60,477) |
| Total Accumulated Depreciation/ Amoritization: | (17,209,291) | (876,752) | 18,143 | (18,067,900) |
| Total Depreciable Assets, Net | 12,893,640 | (843,963) | 0 | 12,049,677 |

** see explanation before the governmental table

Depreciation expense was charged to the programs as follows:

| | |
|---|---|
| Water | $720,025 |
| Sanitation | 57,568 |
| Sewer | 99,159 |
| Total | $876,752 |

## NOTE 10 - RECEIVABLES

Receivables at December 31, 2022, consisted of taxes, accounts (billings for user charged services), advances to other funds and intergovernmental receivables arising from entitlements and shared revenues. All receivables are deemed collectible in full.

## NOTE 11 - RISK MANAGEMENT

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

The City insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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 following risk:

- General liability and casualty
- Public official's liability
- Employment practices liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

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

| | 2022 |
|---|---|
| Casualty and Property Coverage | |
| Assets | $42,310,794 |
| Liabilities | (15,724,479) |
| Net Position | $26,586,315 |

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

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 related injuries.

## NOTE 12 - 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 components of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions and OPEB are provided to an employee - on a deferred-payment basis - as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability and the net OPEB liability/asset represent 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 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 this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

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 all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for 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 liabilities within 30 years. If the amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability/asset. Resulting adjustments to the net pension/OPEB liability/asset would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension 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 13 for the OPEB disclosures.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

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

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

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

| **Group A**<br>Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | **Group B**<br>20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | **Group C**<br>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:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | **Age and Service Requirements:**<br>Age 57 with 60 months of service credit or Age 62 with 5 years of service credit |
| **Formula:**<br>2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | **Formula:**<br>2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | **Formula:**<br>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. The options for Public Safety and Law Enforcement permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

When a traditional plan 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. Members retiring under the combined plan receive a cost–of–living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost-of-living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

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

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

| | State and Local | |
|---|---|---|
| **Statutory Maximum Contribution Rates** | 2022 | 2021 |
| Employer | 14.0 % | 14.0 % |
| Employee | 10.0 % | 10.0 % |
| **Actual Contribution Rates** | | |
| Employer: | | |
| Pension | 14.0 % | 14.0 % |
| Post-employment Health Care Benefits | 0.0 % | 0.0 % |
| Total Employer | 14.0 % | 14.0 % |
| Employee | 10.0 % | 10.0 % |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $433,041 for 2022. Of this amount, $34,065 is reported as an intergovernmental payable.

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

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 Comprehensive Annual Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

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

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $173,253 for 2022. Of this amount, $31,559 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2022, the specific liability of the City was $112,594 payable in semi-annual payments through the year 2035.

***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 Date | 0.01929800% | 0.03036710% | |
| Prior Measurement Date | 0.01929700% | 0.03104180% | |
| Change in Proportionate Share | -0.00000100% | 0.00067470% | |
| Proportionate Share of the Net Pension Liability | $1,679,005 | $1,897,151 | $3,576,156 |
| Pension Expense (Gain) | ($246,467) | $135,869 | ($110,598) |

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 services 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 | $85,592 | $54,705 | $140,297 |
| Changes of Assumptions | 209,957 | 346,719 | 556,676 |
| Changes in Proportion and Differences between Entity's Contributions and Proportionate Share of Contributions | 70,080 | 64,983 | 135,063 |
| Entity's Contributions Subsequent to the Measurement Date | 433,041 | 173,253 | 606,294 |
| **Total Deferred Outflows of Resources** | $798,670 | $639,660 | $1,438,330 |
| **Deferred Inflows of Resources** | | | |
| Differences between Expected and Actual Experience | $36,824 | $98,626 | $135,450 |
| Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments | 1,997,114 | 497,406 | 2,494,520 |
| Changes in Proportion and Differences between Entity's Contributions and Proportionate Share of Contributions | 57,925 | 97,382 | 155,307 |
| **Total Deferred Inflows of Resources** | $2,091,863 | $693,414 | $2,785,277 |

$606,294 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:

| | OPERS | OP&F | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2023 | ($250,927) | $4,199 | ($246,728) |
| 2024 | (688,012) | (137,304) | (825,316) |
| 2025 | (469,602) | (72,394) | (541,996) |
| 2026 | (317,693) | (56,222) | (373,915) |
| 2027 | 0 | 34,714 | 34,714 |
| | ($1,726,234) | ($227,007) | ($1,953,241) |

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The 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 prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2021 are presented below.

| | December 31, 2021 |
|---|---|
| Wage Inflation | 2.75 percent |
| Future Salary Increases, including inflation | 2.75 to 10.75 percent including wage inflation |
| *COLA or Ad Hoc COLA* | |
| Pre-January 7, 2013 Retirees | 3 percent, simple |
| Post-January 7, 2013 Retirees | 0.5 percent, simple through 2022, then 2.05 percent, simple |
| Investment Rate of Return | 6.9 percent |
| Actuarial Cost Method | Individual Entry Age |

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

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

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

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

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Fixed Income | 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 was 6.90 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 benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 6.90 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.90 percent) or one-percentage-point higher (7.90 percent) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| City's Proportionate Share of the Net Pension Liability | $4,426,768 | $1,679,005 | ($607,501) |

***Actuarial Assumptions – OP&F***

OPF's total pension liability as of December 31, 2022 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 OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

| | January 1, 2021 |
|---|---|
| Valuation Date | January 1, 2021 with actuarial liabilities rolled forward to December 31, 2021 including wage inflation |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 7.5 percent |
| Projected Salary Increases | 3.75 percent to 10.5 percent |
| Payroll Growth | 3.25 percent annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent |
| Cost of Living Adjustments | 12 percent simple |

For the January 1, 2021, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

| Age | Police |
|---|---|
| 67 or less | 77 % |
| 68-77 | 105 |
| 78 and up | 115 |

For the January 1, 2021, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

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

The most recent experience study was completed as of December 31, 2016. The actuarial assumptions used in the valuation are based on the results of a five-year experience review covering the period 2012-2016. The experience study was performed by OP&F's prior actuary and the assumptions were effective January 1, 2017.

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 expectation. 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 OPF's target asset allocation as of December 31, 2021 are summarized below:

| Asset Class | Allocation | 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

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

***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 earnings were calculated using the longer-term assumed investment rate of return 7.50 percent. Based on those assumptions, OP&F'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 | $2,813,463 | $1,897,151 | $1,134,107 |

## NOTE 13 - DEFINED BENEFIT OPEB PLANS

See Note 12 for a description of the net OPEB liability/asset.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

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

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

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $0 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 $4,559 for 2022. Of this amount, $831 is reported as an intergovernmental payable.

***OPEB Liabilities, 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 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:* | | | |
| Current Measurement Date | 0.01488400% | 0.03036710% | |
| Prior Measurement Date | 0.01851500% | 0.03104180% | |
| Change in Proportionate Share | -0.00363100% | -0.00067470% | |
| Proportionate Share of the Net OPEB Liability/(Asset) | ($466,190) | $332,850 | ($133,340) |
| OPEB Expense (Gain) | $413,932 | $51,112 | $465,044 |

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

| | OPERS | OP&F | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Differences between Expected and Actual Experience | $0 | $15,142 | $15,142 |
| Changes of Assumptions | 0 | 147,332 | 147,332 |
| Changes in Proportion and Differences between Entity's Contributions and Proportionate Share of Contributions | 29,170 | 16,092 | 45,262 |
| Entity's Contributions Subsequent to the Measurement Date | 0 | 4,559 | 4,559 |
| **Total Deferred Outflows of Resources** | $29,170 | $183,125 | $212,295 |
| **Deferred Inflows of Resources** | | | |
| Differences between Expected and Actual Experience | $70,713 | $43,990 | $114,703 |
| Net Difference between Projected and Actual Investment Earnings | 222,245 | 30,068 | 252,313 |
| Changes of Assumptions | 188,708 | 38,657 | 227,365 |
| Changes in Proportion and Differences between Entity's Contributions and Proportionate Share of Contributions | 77,396 | 14,151 | 91,547 |
| **Total Deferred Inflows of Resources** | $559,062 | $126,866 | $685,928 |

$4,559 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | OPERS | OP&F | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2023 | ($325,091) | $15,337 | ($309,754) |
| 2024 | (124,325) | 10,874 | (113,451) |
| 2025 | (48,558) | 12,538 | (36,020) |
| 2026 | (31,918) | 2,500 | (29,418) |
| 2027 | 0 | 5,817 | 5,817 |
| Thereafter | 0 | 4,634 | 4,634 |
| | ($529,892) | $51,700 | ($478,192) |

### *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<br>including wage inflation | 3.25 to 10.75 percent<br>including wage inflation |
| Single Discount Rate | 6.00 percent | 6.00 percent |
| Investment Rate of Return | 6.00 percent | 6.00 percent |
| Municipal Bond Rate | 1.84 percent | 2.00 percent |
| Health Care Cost Trend Rate | 5.5 percent, initial<br>3.50 percent, ultimate in 2034 | 8.5 percent, initial<br>3.50 percent, ultimate in 2035 |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |

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

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

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

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

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

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

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

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| City's Proportionate Share of the Net OPEB Liability (Asset) | ($274,163) | ($466,190) | ($625,575) |

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 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 Liability (Asset) | ($471,227) | ($466,190) | ($460,213) |

***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 |
| Payroll Growth | 3.25 percent |
| Salary Increases | 3.75 percent to 10.50 percent |
| Projected Depletion Year of OPEB Assets | 2037 |
| Single Discount Rate | |
| Current measurement date | 2.84 percent |
| Prior measurement date | 2.96 percent |
| Stipend Increase Rate | The stipend is not assured to increase over the projection period. |
| Cost of Living Adjusting | 2.2 percent Simple per year |

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

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

| Age | Police |
|---|---|
| 67 or less | 77 % |
| 68-77 | 105 |
| 78 and up | 115 |

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 |
|---|---|
| 59 or less | 35 % |
| 60-69 | 60 |
| 70-79 | 75 |
| 80 and up | 100 |

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 | Allocation | 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 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 Liabilty | $418,399 | $332,850 | $262,527 |

## NOTE 14 – OTHER EMPLOYEE BENEFITS

The City provides life insurance and accidental death and dismemberment insurance to all union employees as well as all non-union full-time employees, excluding elected officials. The amount of the life insurance policy for the union employees is based on the employee's rate of pay while the police receive a $30,000 policy and all City supervisors receive a $30,000 policy.

The City contracts with Stark County Consortium, for hospitalization insurance for all employees. The City pays $2,083 of the total monthly premiums of $2,367 for family coverage and $857 of the monthly premiums of $974 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. City AFSCME Union employees and full-time police pay $284 for family coverage and $117 for single coverage.

The City contracts with Vision Service Plan for vision insurance for all Employees. Premiums are paid from the same funds that pay the employees' salaries. The City contracts with Ohio AFSCME Care Plan for dental for all union employees, police, and supervisors. The City pays 100 percent of the total monthly dental premiums of $64 per employee. The City pays 100 percent of total monthly vision premiums of $36 per family, $22 for employee plus one, and $13 for single employee. Premiums are paid from the same funds that pay the employees’ salaries.

## NOTE 15 - LONG-TERM OBLIGATIONS

The original issue date, maturity date, interest rate and original issuance amount for the City’s debt follows:

| Debt Issue | Interest Rate | Original Issue Amount | Date of Maturity |
|---|---|---|---|
| **Governmental Activities:** | | | |
| Fire Truck Acqusition Bond - 2017 | 2.95% | 488,616 | December 1, 2022 |
| St. Route 647 OPWC Loan - 2003 | 0.00% | 10,029 | January 1, 2024 |
| Street Paving OPWC Loan - 2015 | 0.00% | 97,880 | July 1, 2026 |
| First Street Paving OPWC Loan | 0.00% | 57,267 | July 20, 2027 |
| USDA Loan - Equipment - 2015 | 3.25% | 77,280 | November 1, 2023 |
| USDA Loan - Building - 2016 | 2.875% | 203,100 | June 1, 2046 |
| ODOT - SIB Loan - 2018 | 3.00% | 291,040 | June 19, 2038 |
| Street Sweeper - 2019 | 3.88% | 96,930 | May 24, 2025 |
| Street Improvement Bonds - 2022 | 4.49% | 1,200,000 | July 7, 2042 |

| Debt Issue | Interest Rate | Original Issue Amount | Date of Maturity |
|---|---|---|---|
| **Business-Type Activities:** | | | |
| Water Treatment System Improvement Bonds - 2013 | 3.375-4.00% | 190,000 | December 1, 2022 |
| Storm Sewer Improvement Camera System Bond | 3.14% | 80,000 | December 1, 2023 |
| Ferry View/Sharon Road Waterlines OWDA Loan - 2004 | 2.00% | 3,370,848 | January 1, 2025 |
| Water Meters OWDA Loan - 2011 | 2.00% | 953,977 | January 1, 2042 |
| County Road 4 Waterlines Replacement OWDA Loan - 2015 | 1.570% | 2,700,034 | July 1, 2046 |
| Cemetery Road Sewer Replacement OWDA Loan - 2016 | 2.22% | 198,051 | July 1, 2036 |
| Woodmont Street Pump Project OPWC Loan - 2007 | 0.00% | 231,526 | January 1, 2029 |
| Woodmont Pump Station OPWC Loan - 2004 | 0.00% | 20,000 | January 1, 2024 |
| Water Tank OPWC Loan - 2007 | 2.00% | 255,000 | January 1, 2028 |
| Water Treatment Plant and Well Field Project OPWC Loan - 2009 | 0.00% | 379,600 | July 1, 2032 |
| USDA Loan - Equipment - 2015 | 3.25% | 198,720 | November 1, 2023 |
| USDA Loan - Building - 2016 | 2.875% | 473,900 | June 1, 2046 |
| Street Sweeper - 2019 | 3.88% | 145,394 | May 24, 2025 |
| Packer - 2018 | 4.18% | 155,845 | November 14, 2024 |
| Vacall Sewer Truck - 2018 | 3.45% | 337,569 | April 15, 2025 |

*This space intentionally left blank.*

A schedule of changes in long-term obligations of the City during 2022 follows:

| Description | Balance January 1, 2022 | Additions | Deletions | Balance December 31, 2022 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| *Direct Placement:* | | | | | |
| Fire Truck Bond | $87,467 | $0 | ($87,467) | $0 | $87,467 |
| Street Improvement Bonds | 0 | 1,200,000 | 0 | 1,200,000 | 38,068 |
| *Total General Obligation Bonds* | 87,467 | 1,200,000 | (87,467) | 1,200,000 | 125,535 |
| *Direct Borrowings:* | | | | | |
| OPWC Loans: | | | | | |
| State Route 647 | 754 | 0 | (502) | 252 | 252 |
| Street Paving | 39,152 | 0 | (9,788) | 29,364 | 9,788 |
| First Street Paving | 28,636 | 0 | (5,727) | 22,909 | 5,727 |
| *Total OPWC Loans* | 68,542 | 0 | (16,017) | 52,525 | 15,767 |
| USDA Loans: | | | | | |
| Equipment Loan | 21,224 | 0 | (10,444) | 10,780 | 10,780 |
| Building Loan | 180,031 | 0 | (5,019) | 175,012 | 5,164 |
| *Total USDA Loans* | 201,255 | 0 | (15,463) | 185,792 | 15,944 |
| Street Sweeper Loan 2019 | 56,341 | 0 | (13,291) | 43,050 | 13,291 |
| ODOT - SIB Loan | 280,461 | 0 | (13,360) | 267,101 | 13,764 |
| *Total Direct Borrowings* | 606,599 | 0 | (58,131) | 548,468 | 58,766 |
| *Other Long-Term Obligations:* | | | | | |
| Police and Fire Pension | 119,330 | 0 | (6,736) | 112,594 | 7,025 |
| Capital Leases | 333,312 | 42,191 | (115,986) | 259,517 | 94,796 |
| Compensated Absences | 194,034 | 93,943 | (47,808) | 240,169 | 29,902 |
| *Net Pension Liability:* | | | | | |
| OPERS | 1,354,153 | 0 | (549,238) | 804,915 | 0 |
| OP&F | 2,116,147 | | (218,996) | 1,897,151 | 0 |
| Total Net Pension Liability | 3,470,300 | 0 | (768,234) | 2,702,066 | 0 |
| *Net OPEB Liability:* | | | | | |
| OP&F | 328,893 | 3,957 | 0 | 332,850 | 0 |
| Total Net OPEB Liability | 328,893 | 3,957 | 0 | 332,850 | 0 |
| Governmental Activities Long-Term Obligations | $5,139,935 | $1,340,091 | ($942,611) | $5,395,664 | $316,024 |

| Purpose/Description | Balance January 1, 2022 | Additions | Deletions | Balance December 31, 2022 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| **Business-Type Activities** | | | | | |
| *Direct Placement:* | | | | | |
| Water Treatment System Improvement Bond | $20,000 | $0 | ($20,000) | $0 | $0 |
| Storm Sewer Improvement Camera System | 33,000 | 0 | (16,000) | 17,000 | 17,000 |
| *Total Direct Placements* | 53,000 | 0 | (36,000) | 17,000 | 17,000 |
| *Direct Borrowings:* | | | | | |
| OWDA Loans: | | | | | |
| Ferry View/Sharon Road Waterlines | 594,971 | 0 | (194,390) | 400,581 | 198,297 |
| Water Meters | 698,722 | 0 | (28,728) | 669,994 | 29,306 |
| County Rd 4 Waterline Replacement | 2,294,928 | 0 | (77,473) | 2,217,455 | 78,694 |
| Cemetary Road Sewer Replacement | 151,991 | 0 | (8,992) | 142,999 | 9,193 |
| *Total OWDA Loans* | 3,740,612 | 0 | (309,583) | 3,431,029 | 315,490 |
| OPWC Loans: | | | | | |
| Woodmont Street Pump Project | 75,250 | 0 | (11,576) | 63,674 | 11,576 |
| Woodmont Pump Station | 1,500 | 0 | (1,000) | 500 | 500 |
| Water Tank | 80,585 | 0 | (13,992) | 66,593 | 14,273 |
| Water Treatment Plant and Well Field | 189,800 | 0 | (18,980) | 170,820 | 18,980 |
| *Total OPWC Loans* | 347,135 | 0 | (45,548) | 301,587 | 45,329 |
| USDA Loans: | | | | | |
| Equipment Loan | 54,576 | 0 | (26,856) | 27,720 | 27,720 |
| Building Loan | 420,072 | 0 | (11,712) | 408,360 | 12,050 |
| *Total USDA Loans* | 474,648 | 0 | (38,568) | 436,080 | 39,770 |
| Street Sweeper Loan 2019 | 84,510 | 0 | (19,937) | 64,573 | 20,711 |
| Packer Loan | 69,388 | 0 | (22,189) | 47,199 | 23,117 |
| Vacall Sewer Truck Loan | 174,723 | 0 | (41,484) | 133,239 | 42,916 |
| *Total Direct Borrowings* | 4,891,016 | 0 | (477,309) | 4,413,707 | 487,333 |
| *Other Long-term Obligations:* | | | | | |
| Capital Leases | 64,610 | 0 | (41,149) | 23,461 | 13,167 |
| Asset Retirement Obligation | 0 | 363,743 | 0 | 363,743 | 0 |
| Compensated Absences | 139,509 | 127,744 | (47,808) | 219,445 | 48,482 |
| *Net Pension Liability - OPERS:* | | | | | |
| Water | 964,109 | 0 | (402,986) | 561,123 | 0 |
| Sanitation | 329,466 | 0 | (123,452) | 206,014 | 0 |
| Sewer | 209,738 | 0 | (102,785) | 106,953 | 0 |
| Total Net Pension Liability - OPERS | 1,503,313 | 0 | (629,223) | 874,090 | 0 |
| Business-Type Activities Long-Term Obligations | $6,651,448 | $491,487 | ($1,231,489) | $5,911,446 | $548,982 |

*Governmental Activities:*

*Direct Placement*

During 2017, the City issued bonds for the purchase of a fire truck. The bonds will be repaid in annual installments over a 6 year period from the fire apparatus levy III fund. This bond was paid off during 2022.

During 2022, the City issued bonds for the Street Improvements. The bonds will be repaid in annual installments over a 19 year period.

*Direct Borrowings*

During 2015, the City entered into a loan agreement with the United States Department of Agriculture (USDA) for the purchase of an ambulance and various equipment for water and sewer. In the event of default, as defined by the debt agreement, the amounts payable by the City may become due. If payments are not made, the USDA may retake possession of the ambulance and equipment and hold the City liable for amounts payable.

During 2016, the City entered into a loan agreement with the United States Department of Agriculture (USDA) for the purchase of service garage to be used by the street, sanitation, and sewer departments. In the event of default, as defined by the debt agreement, the amounts payable by the City may become due. If payments are not made, the USDA may retake possession of the ambulance and equipment and hold the City liable for amounts payable.

During 2018, the City entered into a loan agreement with the Ohio Department of Transportation (ODOT) for the repair of streets, walkways, utilities, and retaining walls damaged by a landslide. In the event of default, as defined by the debt agreement, the amounts payable by the City may become due. If payments are not made, the City will be liable for all reasonable attorney fees and expenses that ODOT may incur while attempting to collect amounts due.

During 2019, the City entered into a loan agreement with KS State Bank for the purchase of a street sweeper to be used by the street and sewer departments. In the event of default, as defined by the debt agreement, the amounts payable by the City may become due. If payments are not made, the bank may retake possession of the ambulance and equipment and hold the City liable for amounts payable.

*Business-Type Activities*

*Direct Placements*

During 2013, the City issued in bonds for waste water system improvements. The bonds will be repaid in annual installments over a 10 year period from the water debt fund. This bond was paid off during 2022.

During 2019, the City issued in bonds for a storm sewer improvement camera system. The bonds will be repaid in annual installments over a 5 year period from the sewer debt fund.

*Direct Borrowings*

During 2018, the City entered into a loan agreement with KS State Bank for the purchase of a garbage truck. The loan will be repaid from the sanitation fund.

During 2018, the City entered into a loan agreement with KS State Bank for the purchase of a Vacall sewer truck. The loan will be repaid from the sewer fund.

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 sanitation funds. For additional information related to the net pension liability and net OPEB liability see Notes 12 and 12.

The OWDA loan for the Cemetery Road sewer replacement will be paid from the sewer fund. All governmental OPWC loans will be paid from the general and state highway funds. All other OWDA and business-type OPWC loans will be paid from the water fund. The USDA equipment loan will be repaid from the fire and ambulance, water and sanitation funds. The USDA building loan will be repaid from the general, sewer and sanitation funds. The police and fire pension liability will be paid from general property tax revenues. The capital leases will be paid from the general, fire apparatus III, fire apparatus IV, sanitation and water funds. The Fire Truck Acquisition bond will be repaid from the fire apparatus V and fire apparatus III funds. The ODOT loan will be repaid from the general fund. The packer loan will be repaid from the sanitation fund. The Vacall loan will be repaid from the sewer fund. The street sweeper loan will be repaid from the general and sewer funds. The storm sewer improvement camera system bond will be repaid from the sewer fund. Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds typically include general, street, water, and sewer. The City pays obligations related to employee compensation from the fund benefitting from their service.

In the event of default, as defined by each 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 City to pay the amounts due from funds appropriated to the City's street and water funds. 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 City to pay any fines or penalties incurred with interest.

Principal and interest requirements to retire governmental activities debt at December 31, 2022 are as follows:

| | Police and Fire Pension | | USDA Loans | | Street Sweeper Loan | | Street Improvement Bonds | |
|---|---|---|---|---|---|---|---|---|
| Year | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2023 | $7,025 | $4,711 | $15,944 | $5,382 | $13,807 | $1,670 | $38,068 | $54,628 |
| 2024 | 7,327 | 4,410 | 5,312 | 4,897 | 14,343 | 1,135 | 39,656 | 53,040 |
| 2025 | 7,642 | 4,095 | 5,465 | 4,730 | 14,899 | 578 | 41,607 | 51,090 |
| 2026 | 7,970 | 3,767 | 5,622 | 4,573 | 0 | 0 | 43,501 | 49,196 |
| 2027 | 8,312 | 3,767 | 5,783 | 4,412 | 0 | 0 | 45,481 | 47,216 |
| 2028-2032 | 47,234 | 13,395 | 31,510 | 19,487 | 0 | 0 | 260,168 | 203,317 |
| 2033-2037 | 27,084 | 3,118 | 36,308 | 14,676 | 0 | 0 | 325,204 | 138,280 |
| 2038-2042 | 0 | 0 | 41,836 | 9,146 | 0 | 0 | 406,315 | 57,168 |
| 2043-2046 | 0 | 0 | 38,012 | 2,773 | 0 | 0 | 0 | 0 |
| | $112,594 | $37,263 | $185,792 | $70,076 | $43,049 | $3,383 | $1,200,000 | $653,935 |

| | ODOT-SIB | | OPWC Loans | Total | |
|---|---|---|---|---|---|
| Year | Principal | Interest | Principal | Principal | Interest |
| 2023 | $13,764 | $7,911 | $15,767 | $104,375 | $74,302 |
| 2024 | 14,180 | 7,495 | 15,515 | 96,333 | 70,977 |
| 2025 | 14,610 | 7,066 | 15,515 | 99,738 | 67,559 |
| 2026 | 15,050 | 6,624 | 5,728 | 77,871 | 64,160 |
| 2027 | 15,506 | 6,169 | 0 | 75,082 | 61,564 |
| 2028-2032 | 84,846 | 23,527 | 0 | 423,758 | 259,726 |
| 2033-2037 | 98,465 | 9,906 | 0 | 487,061 | 165,980 |
| 2038-2042 | 10,680 | 160 | 0 | 458,831 | 66,474 |
| 2043-2046 | 0 | 0 | 0 | 38,012 | 2,773 |
| | $267,101 | $68,858 | $52,525 | $1,861,061 | $833,515 |

The City has pledged future water revenue, sewer revenue and sanitation revenue, net of specified operating expenses to repay $4,168,696 of Ohio Public Works Commission (OPWC), Ohio Water Development Authority (OWDA) and U.S. Department of Agriculture (USDA) loans. Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which were 19.7 percent. The total principal and interest remaining to be paid on the loans is $4,953,047. Principal and interest paid for the current year and total net revenues were $472,907 and $1,447,221, respectively.

Principal and interest requirements to retire business-type activities debt at December 31, 2022 are as follows:

| | OWDA Loans | | OPWC Loans | |
|---|---|---|---|---|
| Year | Principal | Interest | Principal | Interest |
| 2023 | 315,490 | 57,909 | 45,330 | 1,401 |
| 2024 | 321,511 | 51,889 | 45,116 | 1,117 |
| 2025 | 121,298 | 46,779 | 45,409 | 827 |
| 2026 | 123,406 | 52,406 | 45,707 | 827 |
| 2027 | 125,550 | 44,488 | 114,234 | 1,838 |
| 2028-2032 | 661,270 | 171,275 | 5,791 | 0 |
| 2033-2037 | 702,201 | 117,864 | 0 | 0 |
| 2038-2042 | 676,254 | 59,986 | 0 | 0 |
| 2043-2047 | 384,049 | 12,153 | 0 | 0 |
| | $3,431,029 | $614,749 | $301,587 | $6,010 |

| | USDA Loans | | Storm Sewer Camera System | | Total | |
|---|---|---|---|---|---|---|
| Year | Principal | Interest | Principal | Interest | Principal | Interest |
| 2023 | $39,770 | $12,640 | $17,000 | $534 | $143,514 | $22,250 |
| 2024 | 12,394 | 11,426 | 0 | 0 | 102,386 | 17,251 |
| 2025 | 12,752 | 11,038 | 0 | 0 | 81,027 | 13,490 |
| 2026 | 13,118 | 10,670 | 0 | 0 | 13,118 | 10,670 |
| 2027 | 13,494 | 10,294 | 0 | 0 | 13,494 | 10,294 |
| 2028-2032 | 73,524 | 45,470 | 0 | 0 | 73,524 | 45,470 |
| 2033-2037 | 84,718 | 34,244 | 0 | 0 | 84,718 | 34,244 |
| 2038-2042 | 97,618 | 21,340 | 0 | 0 | 97,618 | 21,340 |
| 2043-2047 | 88,692 | 6,470 | 0 | 0 | 88,692 | 6,470 |
| | $436,080 | $163,592 | $17,000 | $534 | $698,091 | $181,479 |

| | KS State Bank-Packer | | KS State Bank-Vacall | | Street Sweeper | |
|---|---|---|---|---|---|---|
| Year | Principal | Interest | Principal | Interest | Principal | Interest |
| 2023 | $23,117 | $1,973 | $42,916 | $4,597 | $20,711 | $2,506 |
| 2024 | 24,082 | 1,007 | 44,396 | 3,116 | 21,514 | 1,702 |
| 2025 | 0 | 0 | 45,927 | 1,585 | 22,348 | 867 |
| | $47,199 | $2,980 | $133,239 | $9,298 | $64,573 | $5,075 |

***Leases Payable***

The City has outstanding agreements to lease vehicles. Due to the implementation of GASB Statement No. 87, these leases have met the criteria of leases thus requiring them to be recorded by the City. The future lease payments were discounted based on the interest rate implicit in the lease or using the City's incremental borrowing rate. This discount is being amortized using the interest method over the shorter of the estimated useful life of the asset or the lease term. A summary of the principal and interest amounts for the remaining leases is as follows:

| | Governmental Activities | Business-Type Activities |
|---|---|---|
| 2023 | $105,877 | $13,496 |
| 2024 | 82,530 | 5,467 |
| 2025 | 50,079 | 5,010 |
| 2026 | 39,785 | 0 |
| 2027 | 8,438 | 0 |
| | 286,709 | 23,973 |
| Less amount representing interest | 27,192 | 512 |
| Present Value of minimum lease payments | $259,517 | $23,461 |

## NOTE 16 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation and sick leave at different rates depending upon length of service and type of employment. Vacation leave benefits are lost at year end if employees do not use these balances during the year unless prior approval has been obtained from the department head. Upon retirement or death, employees are paid to a maximum of 840 hours for accumulated unused sick leave. Police are paid upon retirement and completion of twenty-five years of service. Police receive payment for a maximum of 600 hours.

## NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

### *A. Belmont Metropolitan Housing Authority*

Belmont Metropolitan Housing Authority is a non-profit organization established to provide adequate public housing for low income individuals and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a five member board of commissioners. Two members are appointed by the Mayor of Martins Ferry, one member is appointed by the Belmont County Commissioners, one member is appointed by the judge of the probate court, and one member is appointed by the judge of the court of common pleas. The City did not contribute any amounts to the Authority during 2022. The continued existence of the Authority is not dependent on the City's continued participation and no equity interest exists. The Authority has no outstanding debt for which the City of Martins Ferry is responsible.

### *B. Eastern Ohio Regional Transit Authority*

Eastern Ohio Regional Transit Authority was established to provide transportation to the residents of the Ohio Valley and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a board of directors that is appointed by the nine Mayors of the municipalities served by the Authority. The City did not contribute any amounts to the Authority during 2022. The continued existence of the Authority is not dependent on the City's continued participation and no equity interest exists. The Authority has no outstanding debt for which the City of Martins Ferry is responsible.

### *C. Ohio Mid-Eastern Governments Association (OMEGA)*

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 Martins Ferry serves as the City's representative on the board. The board has total control over budgeting, personnel, and financial matters. 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. OMEGA has no outstanding debt.

### *D. Jefferson-Belmont Joint Solid Waste Authority*

Jefferson-Belmont Joint Solid Waste Authority is 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 Martins Ferry is a member. The Authority is not dependent on the City of Martins Ferry for its continued existence, no debt exists, and the City does not maintain an equity interest. The City does not make any monetary contributions to the Authority.

### *E. Belmont County Sewer Authority*

Belmont County Sewer Authority is established by Ohio Revised Code Section 6119, serving the municipalities of Bellaire, Brookside, and Martins Ferry. The Authority is operated by a four member Board of Trustees. One member of the Board is appointed by the Mayor of Martins Ferry. The Authority is not dependent on the City of Martins Ferry for its continued existence and the City does not maintain an equity interest. The City does not make any monetary contributions to the Authority.

### *F. Bel-O-Mar Regional Council*

Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, Ohio and three counties in West Virginia. The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by Belmont County and one member is appointed by each local government within Belmont County. The Mayor of the City of Martins Ferry serves as the City's representative on the board. The Council is not dependent upon the City of Martins Ferry for its continued existence, no debt exists, and the City does not maintain an equity interest. During 2022, the City did not contribute any amounts to the Council.

## NOTE 18 - 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 | Fire and Ambulance | Street Paving | All Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| ***Nonspendable:*** | | | | | | |
| Inventory | $0 | $7,900 | $0 | $0 | $0 | $7,900 |
| Long Term Advances | 0 | 0 | 0 | 0 | 68,292 | 68,292 |
| Endowment | 0 | 0 | 0 | 0 | 184,422 | 184,422 |
| Total Nonspendable | 0 | 7,900 | 0 | 0 | 252,714 | 260,614 |
| ***Restricted:*** | | | | | | |
| Street, Highway, City Improvement | 0 | 301,979 | 0 | 314,091 | 72,927 | 688,997 |
| Public Safety/Law Enforcement | 0 | 0 | 0 | 0 | 177,629 | 177,629 |
| Community Development | 0 | 0 | 0 | 0 | 44,982 | 44,982 |
| Permanent Improvement | 0 | 0 | 0 | 0 | 59,213 | 59,213 |
| Recreation | 0 | 0 | 0 | 0 | 21,384 | 21,384 |
| Other Purposes | 0 | 0 | 0 | 0 | 180,525 | 180,525 |
| Total Restricted | 0 | 301,979 | 0 | 314,091 | 556,660 | 1,172,730 |
| ***Committed for:*** | | | | | | |
| Public Safety/Law Enforcement | 52,150 | 0 | 169,428 | 0 | 2,007 | 223,585 |
| Total Committed | 52,150 | 0 | 169,428 | 0 | 2,007 | 223,585 |
| ***Assigned:*** | | | | | | |
| Encumbrances: | | | | | | |
| General Government | 11,182 | 0 | 0 | 0 | 0 | 11,182 |
| Security of Persons and Property | 13,393 | 0 | 0 | 0 | 0 | 13,393 |
| Subsequent Year Appropriations | 269,270 | 0 | 0 | 0 | 0 | 269,270 |
| Total Assigned | 293,845 | 0 | 0 | 0 | 0 | 293,845 |
| *Unassigned* | 172,294 | 0 | 0 | 0 | 0 | 172,294 |
| Total Fund Balances | 518,289 | 309,879 | $169,428 | $314,091 | $811,381 | 2,123,068 |

## NOTE 19 - SIGNIFICANT COMMITMENTS

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

| Fund | Amount |
|---|---|
| General | $24,575 |
| Street Maintenance and Repair | 75,771 |
| Fire and Ambulance | 21,407 |
| Other Governmental Funds | 841,517 |
| *Totals* | 963,270 |

## NOTE 20 - 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 Martins Ferry 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 21 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The City's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

## NOTE 22 – SUBSEQUENT EVENTS

On July 21, 2023, Council approved an ordinance approving amending Chapter 193, Income Tax Sections 193.03 and 193.04 of the Administrative Code to provide for imposition of annual income tax rate of two percent (2.00%) per year on income on or after January 1, 2024 and declaring an emergency.

On November 15, 2023, the Council approved an ordinance authorizing the issuance of $5,000,000 of Water System Improvement Bond Anticipation Notes, Series 2023, to pay part of the costs of water well upgrades, water plant upgrades, pumping station upgrades, and other related costs and improvements, and declaring an emergency.

**City of Martins Ferry**
**Belmont 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 | 0.019230% | 0.019297% | 0.018955% | 0.018819% |
| City's Proportionate Share of the Net Pension Liability | $1,679,005 | $2,857,466 | $3,746,584 | $5,154,143 |
| City's Covered Payroll | $2,753,950 | $2,717,836 | $2,666,950 | $2,541,836 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 60.97% | 105.14% | 140.48% | 202.77% |
| 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 | 0.030367% | 0.031042% | 0.032719% | 0.031053% |
| City's Proportionate Share of the Net Pension Liability | $1,897,151 | $2,116,147 | $2,204,147 | $2,534,745 |
| City's Covered Payroll | $983,467 | $849,166 | $854,354 | $775,379 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 192.90% | 249.20% | 257.99% | 326.90% |
| 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.

| 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| | | | | |
| 0.018872% | 0.019305% | 0.020403% | 0.020679% | 0.020679% |
| $2,960,574 | $4,383,822 | $3,534,057 | $2,494,119 | $2,437,785 |
| $2,493,893 | $2,495,558 | $2,539,275 | $2,535,233 | $2,001,838 |
| 118.71% | 175.67% | 139.18% | 98.38% | 121.78% |
| 84.66% | 77.25% | 81.08% | 86.45% | 86.36% |
| | | | | |
| 0.030642% | 0.029703% | 0.029764% | 0.030339% | 0.030339% |
| $1,880,663 | $1,881,370 | $1,914,739 | $1,571,702 | $1,477,619 |
| $743,692 | $709,605 | $672,031 | $666,532 | $411,538 |
| 252.88% | 265.13% | 284.92% | 235.80% | 359.05% |
| 70.91% | 68.36% | 66.77% | 72.20% | 73.00% |

See accompanying notes to the required supplementary information.

**City of Martins Ferry**
**Belmont 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 | $433,041 | $385,553 | $380,497 | $373,373 |
| Contributions in Relation to the Contractually Required Contribution | (433,041) | (385,553) | (380,497) | (373,373) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| City's Covered Payroll | $ 3,093,150 | $ 2,753,950 | $ 2,717,836 | $ 2,666,950 |
| 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 | $173,253 | $186,859 | $161,341 | $162,327 |
| Contributions in Relation to the Contractually Required Contribution | (173,253) | (186,859) | (161,341) | (162,327) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| City's Covered Payroll | $911,856 | $983,467 | $849,166 | $854,354 |
| Contributions as a Percentage of Covered Payroll | 19.00% | 19.00% | 19.00% | 19.00% |

See accompanying notes to the required supplementary information.

| 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| $355,857 | $324,206 | $299,467 | $304,713 | $304,228 | $260,239 |
| (355,857) | (324,206) | (299,467) | (304,713) | (304,228) | (260,239) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| $ 2,541,836 | $ 2,493,893 | $ 2,495,558 | $ 2,539,275 | $ 2,535,233 | $ 2,001,838 |
| 14.00% | 13.00% | 12.00% | 12.00% | 12.00% | 13.00% |
| $147,322 | $141,302 | $134,825 | $127,686 | $126,968 | $64,735 |
| (147,322) | (141,302) | (134,825) | (127,686) | (126,968) | (64,735) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| $775,379 | $743,692 | $709,605 | $672,031 | $666,532 | $411,538 |
| 19.00% | 19.00% | 19.00% | 19.00% | 19.05% | 15.73% |

See accompanying notes to the required supplementary information.

**City of Martins Ferry**
**Belmont 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 | 0.014884% | 0.018515% | 0.018122% | 0.017955% |
| City's Proportionate Share of the Net OPEB Asset | $466,190 | $329,860 | $0 | $0 |
| City's Proportionate Share of the Net OPEB Liability | $0 | $0 | $2,503,119 | $2,340,908 |
| City's Covered Payroll | $2,753,950 | $2,717,836 | $2,666,950 | $2,541,836 |
| City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | (16.93%) | (12.14%) | 93.86% | 92.10% |
| 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 | 0.030367% | 0.031042% | 0.032719% | 0.031053% |
| City's Proportionate Share of the Net OPEB Liability | $332,850 | $328,893 | $323,192 | $282,785 |
| City's Covered Payroll | $983,467 | $849,166 | $854,354 | $775,379 |
| City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 33.84% | 38.73% | 37.83% | 36.47% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 46.90% | 45.40% | 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.

See accompanying notes to the required supplementary information.

| 2018 | 2017 |
|---|---|
| 0.018036% | 0.018485% |
| $0 | $0 |
| $1,958,606 | $1,867,048 |
| $2,493,893 | $2,495,558 |
| 78.54% | 74.81% |
| 54.14% | 54.04% |
| 0.030642% | 0.029703% |
| $1,736,161 | $1,409,935 |
| $743,692 | $709,605 |
| 233.45% | 198.69% |
| 14.13% | 15.96% |

See accompanying notes to the required supplementary information.

**City of Martins Ferry**
**Belmont 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 | $0 | $0 | $0 | $0 |
| Contributions in Relation to the Contractually Required Contribution | - | - | - | - |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| City's Covered Payroll (1) | $3,093,150 | $2,753,950 | $2,717,836 | $2,666,950 |
| 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 | $4,559 | $4,917 | $4,246 | $4,272 |
| Contributions in Relation to the Contractually Required Contribution | (4,559) | (4,917) | (4,246) | (4,272) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| City's Covered Payroll | $ 911,856 | $ 983,467 | $ 849,166 | $ 854,354 |
| 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 |
|---|---|---|---|---|---|
| $0 | $24,939 | $49,911 | n/a | n/a | n/a |
| - | (24,939) | (49,911) | n/a | n/a | n/a |
| $0 | $0 | $0 | n/a | n/a | n/a |
| $2,541,836 | $2,493,893 | $2,495,558 | n/a | n/a | n/a |
| 0.00% | 1.00% | 2.00% | n/a | n/a | n/a |
| $3,877 | $3,718 | $3,548 | $3,360 | $3,333 | $34,272 |
| (3,877) | (3,718) | (3,548) | (3,360) | (3,333) | (34,272) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| $ 775,379 | $ 743,692 | $ 709,605 | $ 672,031 | $ 666,532 | $ 411,538 |
| 0.50% | 0.50% | 0.50% | 0.50% | 0.50% | 8.33% |

See accompanying notes to the required supplementary information.

**NOTE 1 – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (TRADITIONAL PLAN)**

***Pension***

*Changes in benefit terms*: There were no changes in benefit terms for the period 2014-2022.

*Changes in Assumptions*:

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

- Reduction in actuarial assumed rate of return from 7.20% to 6.90%
- Decrease in wage inflation from 3.25% to 2.75%
- Change in future salary increases from a range of 3.25% - 10.75% to 2.75% to 10.75%

2020-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2019: OPERS Board adopted a change in the investment return assumption, reducing it from 7.50% to 7.20%.

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

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

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25% - 10.02% to 3.25% - 10.75%

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

***Other Postemployment Benefits***

*Changes in benefit terms:* For 2021-2022, there were no changes in benefit terms.

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

For 2018-2019, there were no changes in benefit terms.

*Changes in assumptions:*

For 2022, the municipal bond rate changed from 2.06% to 1.84% and the health care cost trend rate initial amount changed from 8.50% to 5.5%.

**NOTE 1 – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (TRADITIONAL PLAN)** - Continued

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

- The single discount rate increased from 3.16% to 6.00%.
- The municipal bond rate decreased from 2.75% to 2.00%.
- The initial health care cost trend rate decreased from 10.5% to 8.5%.

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

- The single discount rate decreased from 3.96% to 3.16%.
- The municipal bond rate decreased from 3.71% to 2.75%.
- The initial health care cost trend rate increased from 10.0% to 10.5%.

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

- The single discount rate increased from 3.85% to 3.96%.
- The investment rate of return decreased from 6.5% to 6%.
- The municipal bond rate increased from 3.31% to 3.71%.
- The initial health care cost trend rate increased from 7.5% to 10%.

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

**NOTE 2 – OHIO POLICE AND FIRE PENSION FUND**

***Pension***

*Changes in benefit terms*: There were no changes in benefit terms for the period 2014-2022.

*Changes in Assumptions*:

2022: The only change in assumption was a reduction in actuarial assured rate of return from 8.00% to 7.50%.

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

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

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% - 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%

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

**NOTE 2 - <u>OHIO POLICE AND FIRE PENSION FUND</u>** - Continued

***<u>Other Postemployment Benefits</u>***

*Changes in benefit terms*:

For 2020-2022, there were no changes in benefit terms.

For 2019, See below regarding change to stipend-based model.

For 2018, there were no changes in benefit terms.

*Changes in assumptions:*

For 2022, the singe discount rate changed from 2.96% t 2.84% and the investment rate of return changed from 8.00% to 7.50%.

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

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

For 2019: Beginning January 1, 2019, OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend-based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Beginning in 2020, the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5%. The single discount rate increased from 3.24% to 4.66% and the municipal bond rate increased from 3.16% to 4.13%.

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

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 Martins Ferry
Belmont County
P.O. Box 386
Martins Ferry, Ohio 43935

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 Martins Ferry, Belmont County, Ohio (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 8, 2024, wherein we noted the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases.*

***Report on Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2022-002 and 2022-003 that we consider to be material weaknesses.

***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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2022-001.

***City's Response to Findings***

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

***Purpose of this Report***

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

Keith Faber
Auditor of State
Columbus, Ohio

February 8, 2024

# SCHEDULE OF FINDINGS
## DECEMBER 31, 2022

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

### FINDING NUMBER 2022-001

**Noncompliance**

**Ohio Rev. Code § 5705.39** provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

At December 31, 2022 the City's appropriations exceeded the amount certified as available by the budget commission in the General, Street Maintenance and Repair, and Water Department Funds by $188,791, $72,128 and $717,109, respectively.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the City's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The City should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the City should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by Council to reduce the appropriations.

**Officials’ Response:** Management will monitor in the future.

### FINDING NUMBER 2022-002

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

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

**FINDING NUMBER 2022-002 (Continued)**

**Material Weakness (Continued)**

We noted the following:

- General Fund Income Tax Receivable and Unavailable Revenue were overstated by $53,060;
- Street Paving Fund Income Tax Receivable was understated by $21,224, Unavailable Revenue was understated by $10,731 and Income Tax Revenue was understated by $10,493;
- Street Maintenance and Repair Fund Income Tax revenue was understated by $46,065, Income Tax Receivable was understated stated by $31,835 and Unavailable Revenue was overstated by $14,230; and
- Accounts Receivable, Unavailable Revenue and Charges for Services were overstated by $53,853, $52,772 and $1,081, respectively within the Fire and Ambulance Fund.

The adjustments noted above, with which management agrees, have been made and are reflected in the accompanying financial statements and budgetary statements, if applicable.

We also identified additional misstatements ranging from $1,384 to $96,136 that we have brought to the City’s attention.

In addition to the items listed above, we noted that the City did not implement GASB 87, Leases, properly. Although there were insignificant changes to the financial statements, revisions were needed for the applicable note disclosures.

The City did not have a process in place to ensure transactions are accurately reported on the financial statements.

Not properly reporting financial activity could result in material misstatements occurring and remaining undetected and increases the risk that management would not be provided an accurate picture of the City's financial position and operations.

The City should take the necessary steps to ensure that all financial information of the City is properly presented in the City's basic financial statements.

**Officials’ Response:** Management will monitor in the future.

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

**FINDING NUMBER 2022-003**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the City, and the appropriation ledger provides the process by which the City controls spending, it is therefore necessary the amounts appropriated by Council are precisely stated and accurately posted to the appropriation ledger.

Approved appropriations and estimated resources recorded in the accounting system and presented on the Budgetary Statements did not agree to those approved by Council and County Budget Commission.

The original appropriations approved by Council did not agree to those presented on the Budgetary Statements for the following funds:

| Fund | Original Approved Appropriations | Original Appropriations per Budgetary Statements | Variance |
|---|---|---|---|
| General | $2,782,870 | $2,878,647 | ($95,777) |
| Street Maintenance and Repair | 673,504 | 599,778 | 73,726 |
| Fire and Ambulance | 575,514 | 545,560 | 29,954 |

The final appropriations approved by Council did not agree to those presented on the Budgetary Statements for the following funds:

| Fund | Final Approved Appropriations | Final Appropriations per Budgetary Statements | Variance |
|---|---|---|---|
| General | $2,903,864 | $2,858,351 | $45,513 |
| Street Maintenance and Repair | 673,504 | 599,778 | 73,726 |
| Fire and Ambulance | 674,253 | 644,299 | 29,954 |

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

**FINDING NUMBER 2022-003 (Continued)**

**Material Weakness (Continued)**

The original certificate and amendments establish the amounts available for expenditures for the City and the receipts ledger provides the process by which the City controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The following funds were not posted correctly to the City's Accounting System compared to the Certificate of Estimated Resources plus all amendments:

| Fund | Certificate of Estimated Resources | City's Accounting System | Variance |
|---|---|---|---|
| General | $2,290,000 | $2,671,038 | ($381,038) |
| Street Maintenance and Repair | 450,000 | 565,049 | (115,049) |
| Fire and Ambulance | 839,000 | 663,164 | 175,836 |
| Water Department | 2,450,000 | 3,053,269 | (603,269) |

The original estimated receipts per the Certificate of Estimated Resources did not agree to those presented on the Budgetary Statement for the following funds:

| Fund | Original Receipts per Official Certificate | Original Estimated Receipts for Budgetary Statements | Variance |
|---|---|---|---|
| General | $2,540,000 | $2,472,464 | $67,536 |
| Fire and Ambulance | 535,000 | 589,857 | (54,857) |

The final estimated receipts per the Certificate of Estimated Resources did not agree to those presented on the Budgetary Statement for the following funds:

| Fund | Final Receipts per Official Certificate | Final Estimated Receipts for Budgetary Statements | Variance |
|---|---|---|---|
| General | $2,290,000 | $2,671,038 | ($381,038) |
| Street Maintenance and Repair | 450,000 | 565,676 | (115,676) |
| Fire and Ambulance | 839,000 | 663,164 | 175,836 |

Adjustments, with which management agrees, were made to the accompanying Budgetary Statements.

Failure to accurately post the estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

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

**FINDING NUMBER 2022-003 (Continued)**

**Material Weakness (Continued)**

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the City should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The City should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers and reflected in the Budgetary Statements.

**Officials' Response:** Management will monitor in the future.

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# CITY OF MARTINS FERRY

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**December 31, 2022**

| Finding Number | Finding Summary | Status | Additional Information |
|---|---|---|---|
| 2021-001 | Material Weakness – Payroll Procedures | Corrected. | |
| 2021-002 | Material Weakness – Utility Office Procedures | Corrected. | |
| 2021-003 | Material Weakness – Monitoring | Not corrected. | Management will monitor in the future. |

OHIO AUDITOR OF STATE
**KEITH FABER**

**CITY OF MARTINS FERRY**

**BELMONT 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 2/15/2024**

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