CITY OF VERMILION
ERIE COUNTY, OHIO

Basic Financial Statements

For the Year Ended
December 31, 2022

Julian & Grube
Serving Ohio Local Governments

CITY OF VERMILION, OHIO

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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Julian & Grube

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Accountant's Compilation Report

To the Members of City Council
Vermilion, Ohio

Management is responsible for the accompanying basic financial statements of the City of Vermilion, which comprise the statements listed in the table of contents as of December 31, 2022 and for the fiscal year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of net pension and other post-employment benefit assets and liabilities, and pension and other post-employment contributions listed in the table of contents be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The required supplementary information was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Julian & Grube, Inc.

Westerville, Ohio
May 30, 2023

The management's discussion and analysis of the City of Vermilion'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 financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2022 are as follows:

- The total net position of the City increased $4,596,324 from 2021's total net position. Net position of governmental activities increased $2,838,385 or 13.75% from 2021's net position and net position of business-type activities increased $1,757,939 or 30.45% from 2021's net position.

- General revenues accounted for $8,807,844 or 61.86% of total governmental activities revenue. Program specific revenues accounted for $5,430,101 or 38.14% of total governmental activities revenue.

- The City had $11,399,560 in expenses related to governmental activities; $5,430,101 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of $5,969,459 were offset by general revenues (primarily property, income and other local taxes and unrestricted grants and entitlements) of $8,807,844.

- The general fund had revenues of $6,805,545 in 2022. The general fund had expenditures and other financing uses of $6,639,401 in 2022. The net increase in fund balance for the general fund was $480,460 or 9.76% from 2021's fund balance.

- The road improvement levy fund had revenues and other financing sources of $1,676,691 in 2022. The road improvement levy fund had expenditures of $1,555,524 in 2022. The net increase in fund balance for the road improvement levy fund was $121,167 or 5.54%.

- The FEMA Fire fund had expenditures of $345 in 2022. The net decrease in fund balance for the FEMA fire fund was $345.

- The VPD Station Construction fund had revenues and other financing sources of $4,074,920 in 2022. The VPD Construction fund had expenditures of $80,854 in 2022. The net increase in fund balance for the VPD Construction fund was $3,994,066.

- Net position for the business-type activities, which are made up of the water and sewer enterprise funds, increased in 2022 by $1,757,939 from 2021's net position.

- The water fund had operating revenues of $2,720,206 and operating expenses of $2,045,399 in 2022. The water fund also had net non-operating expenses of $5,065. The water fund had capital contributions of $325,000. The net increase in net position for the water fund was $994,742 or 17.23% from 2021's net position.

- The sewer fund had operating revenues of $2,905,565 and operating expenses of $1,880,169 in 2022. The sewer fund also had net non-operating expenses of $262,199. The net increase in net position for the sewer fund was $763,197.

- Budgetary information is presented for the general fund and the road improvement levy fund. In the general fund, the actual revenues and other financing sources were $55,178 less than they were in the final budget and actual expenditures and other financing uses were $482,918 less than the amount in the final budget. Budgeted revenues and other financing sources increased $609,131 from original to the final budget and budgeted expenditures and other financing uses increased $1,005,786 from original to the final budget.

Using this Annual Financial Report

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

The statement of net position and statement of activities provide information about the activities of the City as a whole, 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.

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2022?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take 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 that 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 restricting revenue growth, facility conditions, required community programs 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 police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and other local taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water and sewer operations are reported here.

Reporting the City'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 segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, the road improvement levy fund, the FEMA Fire fund and the VPD Station Construction fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer functions. Both of the City's enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability/asset, along with contributions to the pension systems and net OPEB asset/liability.

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position for 2022 compared to 2021.

Net Position

	2022 Governmental Activities	2021 Governmental Activities	2022 Business-type Activities	2021 Business-type Activities	2022 Total	2021 Total
Assets						
Current and other assets	$ 33,567,389	$ 25,072,014	$ 9,557,882	$ 4,818,641	$ 43,125,271	$ 29,890,655
Capital assets, net	19,070,865	18,256,238	13,359,505	13,029,067	32,430,370	31,285,305
Total assets	52,638,254	43,328,252	22,917,387	17,847,708	75,555,641	61,175,960
Total deferred outflows of resources	1,948,694	1,501,238	337,852	321,474	2,286,546	1,822,712
Liabilities						
Current and other liabilities	1,044,335	1,246,695	474,238	147,907	1,518,573	1,394,602
Long-term liabilities:						
Due within one year	794,166	574,489	1,186,901	1,010,058	1,981,067	1,584,547
Net pension liability	4,114,739	5,215,284	735,486	1,257,139	4,850,225	6,472,423
Net OPEB liability	518,370	509,573	-	-	518,370	509,573
Other amounts	18,019,392	11,189,956	12,094,811	8,912,218	30,114,203	20,102,174
Total liabilities	24,491,002	18,735,997	14,491,436	11,327,322	38,982,438	30,063,319
Total deferred inflows of resources	6,611,355	5,447,287	1,232,043	1,068,039	7,843,398	6,515,326
Net Position						
Net investment in capital assets	8,532,399	6,599,912	4,097,351	3,122,902	12,629,750	9,722,814
Restricted	11,531,601	11,845,020	-	-	11,531,601	11,845,020
Unrestricted	3,420,591	2,201,274	3,434,409	2,650,919	6,855,000	4,852,193
Total net position	$ 23,484,591	$ 20,646,206	$ 7,531,760	$ 5,773,821	$ 31,016,351	$ 26,420,027

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

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/asset 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.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2022, the City's assets and deferred outflows exceeded liabilities and deferred inflows by $12,108,920. At year-end, net position was $23,484,591 and $7,531,760 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets net represented 42.92% of total assets. Capital assets include land, construction in progress, buildings, equipment, infrastructure, land improvements, traffic lights, and vehicles. The net investment in capital assets at December 31, 2022, was $8,532,399 and $4,097,351 in the governmental activities and business-type activities, respectively. 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, $11,531,601 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of $3,420,591 may be used to meet the City's ongoing obligations to citizens and creditors.

The table below shows the changes in net position for years 2022 and 2021.

Change in Net Position

	2022 Governmental Activities	2021 Governmental Activities	2022 Business-Type Activities	2021 Business-Type Activities	2022 Total	2021 Total
Revenues:						
Program revenues:						
Charges for services	$ 3,018,834	$ 3,067,607	$ 5,608,316	$ 5,506,509	$ 8,627,150	$ 8,574,116
Operating grants and contributions	2,112,079	1,226,593	25,238	-	2,137,317	1,226,593
Capital grants and contributions	299,188	812,742	325,000	248,000	624,188	1,060,742
Total program revenues	5,430,101	5,106,942	5,958,554	5,754,509	11,388,655	10,861,451
General revenues:						
Property and other local taxes	3,772,212	3,427,441	-	-	3,772,212	3,427,441
Income taxes	4,802,184	4,029,919	-	-	4,802,184	4,029,919
Unrestricted grants and entitlements	578,611	543,088	-	-	578,611	543,088
Investment earnings / fair value adjustment	(519,140)	(68,279)	550	-	(518,590)	(68,279)
Miscellaneous	173,977	283,638	17,455	157,842	191,432	441,480
Total general revenues	8,807,844	8,215,807	18,005	157,842	8,825,849	8,373,649
Total revenues	14,237,945	13,322,749	5,976,559	5,912,351	20,214,504	19,235,100
Expenses:						
General government	2,678,128	1,722,617	-	-	2,678,128	1,722,617
Security of persons and property - police	3,446,564	2,713,740	-	-	3,446,564	2,713,740
Security of persons and property - fire	567,556	639,601	-	-	567,556	639,601
Public health and welfare	165,398	178,091	-	-	165,398	178,091
Transportation	2,075,259	638,404	-	-	2,075,259	638,404
Leisure time activities	656,757	476,196	-	-	656,757	476,196
Other	27,328	122,996	-	-	27,328	122,996
Refuse	1,124,335	1,059,195	-	-	1,124,335	1,059,195
Utility services	107,668	64,844	-	-	107,668	64,844
Interest and fiscal charges	550,567	368,021	-	-	550,567	368,021
Water	-	-	2,075,702	2,311,595	2,075,702	2,311,595
Sewer	-	-	2,142,918	1,915,378	2,142,918	1,915,378
Total expenses	11,399,560	7,983,705	4,218,620	4,226,973	15,618,180	12,210,678
Change in net position	2,838,385	5,339,044	1,757,939	1,685,378	4,596,324	7,024,422
Net position at beginning of year	20,646,206	15,307,162	5,773,821	4,088,443	26,420,027	19,395,605
Net position at end of year	$ 23,484,591	$ 20,646,206	$ 7,531,760	$ 5,773,821	$ 31,016,351	$ 26,420,027

Governmental Activities

Governmental activities net position increased 13.75% or $2,838,385 in 2022 from 2021's net position.

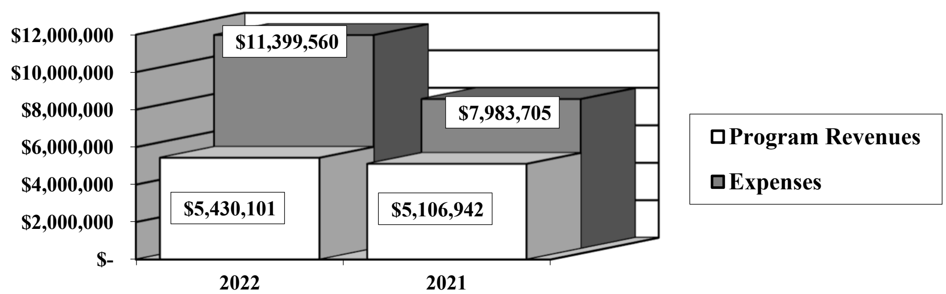
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for $4,014,120 of the total expenses of the City. These expenses were funded by $392,390 in direct charges to users of the services, $632,117 in operating grants and contributions and $516 in capital grans and contributions. Transportation expenses totaled $2,075,259. Transportation expenses were funded by $428,773 in direct charges to users of the services, $997,583 in operating grants and contributions and $394 in capital grants and contributions.

The state and federal government contributed to the City a total of $2,112,079 in operating grants and contributions and $299.188 in capital grants and contributions. These revenues are restricted to a particular program or purpose.

General revenues totaled $8,807,844 and amounted to 61.86% of total governmental revenues. These revenues primarily consist of property and other local tax revenue and income taxes of $8,574,396. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government funds, making up $578,611.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

Governmental Activities - Program Revenues vs. Total Expenses



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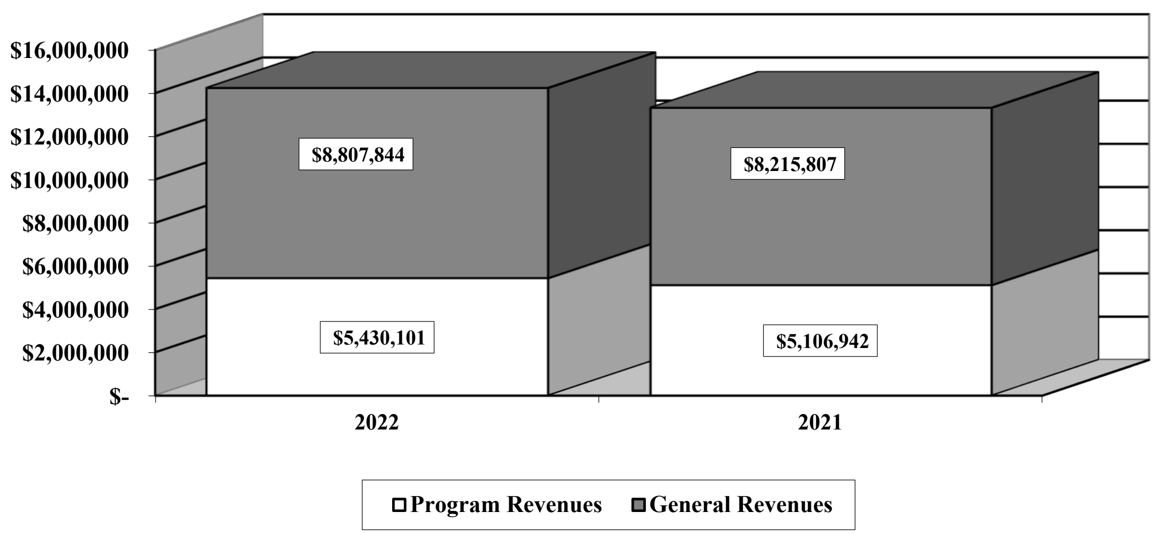
Governmental Activities

	Total Cost of Services 2022	Total Cost of Services 2021	Net Cost of Services 2022	Net Cost of Services 2021
Program Expenses:				
General government	$ 2,678,128	$ 1,722,617	$ 1,633,972	$ 929,176
Security of persons and property - police	3,446,564	2,713,740	3,015,898	2,238,408
Security of persons and property - fire	567,556	639,601	(26,801)	617,582
Public health and welfare	165,398	178,091	18,865	(12,207)
Transportation	2,075,259	638,404	648,509	(1,689,397)
Leisure time activity	656,757	476,196	126,072	365,950
Other	27,328	122,996	27,328	122,996
Utility services	107,668	64,844	107,668	64,844
Refuse	1,124,335	1,059,195	(132,619)	(128,610)
Interest and fiscal charges	550,567	368,021	550,567	368,021
Total Expenses	$ 11,399,560	$ 7,983,705	$ 5,969,459	$ 2,876,763

The dependence upon general revenues for governmental activities is apparent, with 52.37% of expenses supported through taxes and other general revenues.

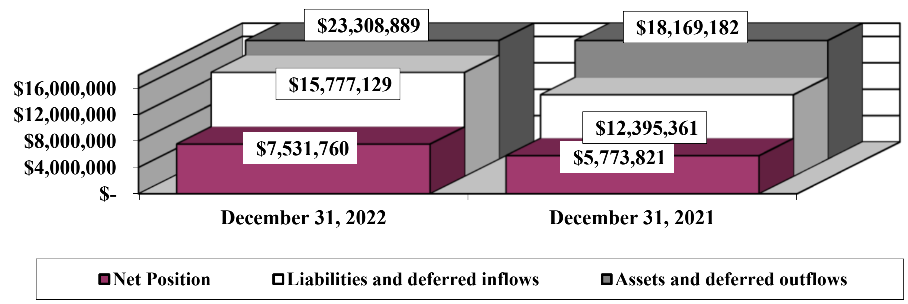
Governmental Activities - General and Program Revenues



Business-Type Activities

The City's business-type activities include the water and sewer funds. These programs had program revenues of $5,958,554, general revenues of $18,005 and expenses of $4,218,620 for 2022. The graph below shows the business-type activities assets and deferred outflows, liabilities and deferred inflows and net position at year-end 2022 and 2021.

Net Position in Business - Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds reported a combined fund balance of $25,085,908 which is $7,599,793 over last year's total of $17,486,115. This increase in fund balance is primarily composed of $7,055,000 in proceeds from new borrowing for construction of a new police station and other capital projects. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2022 for all major and nonmajor governmental funds.

	Fund Balances 12/31/22	Fund Balances 12/31/21	Change
Major Funds:			
General	$ 5,401,742	$ 4,921,282	$ 480,460
Road Improvement	2,308,100	2,186,933	121,167
FEMA Fire Grant	(17,955)	-	(17,955)
VPD Station Construction	3,994,066	-	3,994,066
Other nonmajor governmental funds	13,399,955	10,377,900	3,022,055
Total	$ 25,085,908	$ 17,486,115	$ 7,599,793

General Fund

The City's general fund balance increased 9.76%. This increase is due to an increase in income tax revenue. The table that follows assists in illustrating the revenues of the general fund.

	2022 Amount	2021 Amount	Percentage Change
Revenues			
Taxes	$ 5,562,185	$ 4,910,438	13.27 %
Charges for services	124,882	148,247	(15.76) %
Licenses and permits	389,116	381,838	1.91 %
Fines and forfeitures	372,286	417,485	(10.83) %
Intergovernmental	419,749	343,922	22.05 %
Special assessments	13,455	8,750	53.77 %
Investment income	(520,164)	(75,555)	588.46 %
Contributions and donations	300,608	35,083	756.85 %
Other	143,428	171,412	(16.33) %
Total	$ 6,805,545	$ 6,341,620	7.32 %

Overall revenues of the general fund increased $463,925 or 7.32%. Tax revenue represents 81.73% of all general fund revenue. Income tax revenues increased $651,747 in 2022 and contributions and donations increased $265,525. Donations were primarily for playground renovations. The fluctuation in investment income is due to the fair value measurement at year end. The City purchases investment securities with the intent to hold them to maturity, which based on timing of the purchases, can show a negative change in fair value.

The table that follows assists in illustrating the expenditures of the general fund.

	2022 Amount	2021 Amount	Percentage Change
Expenditures			
General government	$ 2,321,157	$ 2,118,290	9.58 %
Security of persons and property - police	2,981,594	2,759,355	8.05 %
Security of persons and property - fire	120,240	150,230	(19.96) %
Leisure time activities	270,198	36,560	639.05 %
Other	66,112	56,784	100.00 %
Utility services	121,616	107,557	13.07 %
Capital outlay	372,221	281,581	32.19 %
Debt service	159,601	89,854	77.62 %
Total	$ 6,412,739	$ 5,600,211	14.51 %

The general fund's resources were primarily used for general government and security of persons and property which accounted for 84.57% of all general fund expenditures in 2022. Expenditures remained relatively stable with an increase of 14.51% from 2021 The increase in leisure time activities was due to playground improvements.

Road Improvement Levy Fund

The road improvement levy fund had revenues and other financing sources of $1,676,691 in 2022. This represents an decrease of $598.746 from 2021 revenues and other financing sources. The road improvement levy fund had expenditures of $1,555,524 in 2022, which is $884,254 less than expenditures in 2021. The net increase in fund balance for the road improvement levy fund was $121,167 or 5.54%.

FEMA Fire Fund

The FEMA Fire fund had expenditures of $345 in 2022. The net decrease in fund balance for the FEMA fire fund was $345. This fund is used to account for the Federal Emergency Management Agency (FEMA) Firefighter's Assistance Grant.

VPD Station Construction Fund

The VPD Station Construction fund had revenues and other financing sources of $4,074,920 in 2022. The VPD Construction fund had expenditures of $80,854 in 2022. The net increase in fund balance for the VPD Construction fund was $3,994,066. This primarily revenue source is bond proceeds, and the expenditures will be used for construction of a police station.

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. By State statute, the City Council adopts a temporary operating budget for the City prior to the first day of January. Council adopts a permanent annual operating budget for the City prior to the first day of April. From time to time during the year, the fund's budget may be amended as needs or conditions change.

In the general fund, budgeted revenues and other financing sources increased $609,131 from original to the final budget and budgeted expenditures and other financing uses increased $1,005,786 from original to the final budget. The actual revenues and other financing sources were $55,178 more than they were in the final budget and actual expenditures and other financing uses were $482,918 less than the amount in the final budget due to conservative spending.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities.

The water fund had operating revenues of $2,720,206 and operating expenses of $2,045,399 in 2022. The water fund also had non-operating expenses of $5,065 and capital contributions of $325,000. The net increase in net position for the water fund was $994,742 or 17.23% from 2021's net position.

The sewer fund had operating revenues of $2,905,565 and operating expenses of $1,880,169 in 2022. The sewer fund also had non-operating expenses of $262,199. The net increase in net position for the sewer fund was $763,197.

Capital Assets and Debt Administration

Capital Assets

At the end of 2022, the City had $32,430,369 (net of accumulated depreciation) invested in land, construction in progress, buildings, equipment, furniture, infrastructure, land improvements, traffic lights, and vehicles. Of this total, $19,070,865 was reported in governmental activities and $13,359,504 was reported in business-type activities.

The following table shows 2022 capital asset balances compared to 2021.

Capital Assets at December 31
(Net of Depreciation/Amortization)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	$ 3,870,430	$ 3,870,430	$ 258,003	$ 258,003	$ 4,128,433	$ 4,128,433
Construction in progress	773,585	4,240,489	914,224	-	1,687,809	4,240,489
Buildings	5,261,214	1,480,594	667,464	802,351	5,928,678	2,282,945
Equipment	784,805	499,707	2,417,085	2,591,626	3,201,890	3,091,333
Infrastructure	6,174,456	5,966,935	8,782,569	9,110,544	14,957,025	15,077,479
Land improvements	188,060	244,665	2,433	4,358	190,493	249,023
Traffic lights	802,756	860,096	-	-	802,756	860,096
Right to use Equipment	18,609	-	-	-	18,609	-
Right to use Vehicles	270,248	-	-	-	270,248	-
Vehicles	926,702	1,093,322	317,727	262,185	1,244,429	1,355,507
Totals	$ 19,070,865	$ 18,256,238	$ 13,359,505	$ 13,029,067	$ 32,430,370	$ 31,285,305

The City's largest capital asset category is infrastructure which includes roads, water lines, and sewer lines. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 46.12% of the City's total capital assets. See Note 9 to the basic financial statements for additional capital asset detail.

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Debt Administration

The City had the following long-term obligations outstanding at December 31, 2022 and 2021:

	Governmental Activities	
	2022	2021
Bonds:		
General obligation and refunding	$15,253,622	$ 8,200,514
Special assessment	857,648	941,546
2021 Improvement bonds	1,712,000	1,799,000
OPWC loans	324,969	338,817
Financed purchases - notes payable	206,660	39,781
Leases payable	49,733	62,333
Total long-term obligations	$18,404,632	$11,381,991

	Business-type Activities	
	2022	2021
Bonds:		
General obligation and refunding	$ 8,223,322	$ 4,424,782
Special assessment	1,418,057	1,629,907
OWDA loans	3,409,007	3,631,760
Financed purchases - notes payable	101,314	126,896
Total long-term obligations	$13,151,700	$ 9,813,345

See Note 10 to the basic financial statements for detail on the City's long-term obligations.

Economic Conditions and Outlook

The City of Vermilion has experienced some financial difficulty. The city is experiencing growth in new residential construction through 2022, that is anticipated to continue in 2023 that completes some existing developments as well as 400 new units from a new developer going through the planning phases. Retail and commercial properties remained at strong occupancy levels in 2022 as well, with regular new inquiries. The various economic factors were considered in the preparation of the City's 2023 budget and will be considered in the preparation of future budgets New three-year collective bargaining agreements beginning in 2023 were ratified prior to the end of 2022. Appropriate measures will be taken to ensure spending is within available resources as the City prepares to meet the challenges of the future. In conclusion, management has been committed to provide the residents of the City of Vermilion with full disclosure of the financial position of the City.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Amy Hendricks, Finance Director, 5511 Liberty Avenue, Vermilion, Ohio 44089.

BASIC
FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Governmental Activities	Business-type Activities	Total	Component Unit Port Authority
Assets:				
Equity in pooled cash and cash equivalents	$ 25,177,854	$ 7,680,024	$ 32,857,878	$ -
Cash with fiscal and escrow agents	-	-	-	110,711
Receivables:				
Income taxes	2,327,183	-	2,327,183	-
Real and other taxes	3,262,400	-	3,262,400	-
Accounts	271,792	587,124	858,916	-
Special assessments	475,652	1,030,913	1,506,565	-
Accrued interest	38,553	-	38,553	402
Due from other governments	1,417,456	25,238	1,442,694	-
Leases	-	-	-	96,466
Materials and supplies inventory	13,338	8,359	21,697	-
Prepayments	88,492	288	88,780	-
Net pension asset	42,147	26,720	68,867	-
Net OPEB asset	398,872	252,866	651,738	-
Internal balance	53,650	(53,650)	-	-
Capital assets:				
Land and construction in progress	4,644,015	1,172,227	5,816,242	1,059,388
Depreciable capital assets, net	14,426,850	12,187,278	26,614,128	711,173
Total capital assets, net	19,070,865	13,359,505	32,430,370	1,770,561
Total assets	52,638,254	22,917,387	75,555,641	1,978,140
Deferred outflows of resources:				
Unamortized deferred charges on debt refunding	97,931	15,629	113,560	-
Pension	1,424,557	318,630	1,743,187	-
OPEB	426,206	3,593	429,799	-
Total deferred outflows of resources	1,948,694	337,852	2,286,546	-
Liabilities:				
Accounts payable	115,974	53,047	169,021	708
Contracts payable	2,479	341,896	344,375	-
Retainage payable	78,967	-	78,967	-
Accrued wages and benefits payable	83,901	30,151	114,052	-
Due to other governments	68,364	17,961	86,325	304
Accrued interest payable	57,107	31,183	88,290	-
Unearned revenue	637,543	-	637,543	-
Long-term liabilities:				
Due within one year	794,166	1,186,901	1,981,067	15,831
Due greater than one year:				
Net pension liability	4,114,739	735,486	4,850,225	-
Net OPEB liability	518,370	-	518,370	-
Other amounts due in more than one year	18,019,392	12,094,811	30,114,203	866,696
Total liabilities	24,491,002	14,491,436	38,982,438	883,539
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	3,469,226	-	3,469,226	-
Unamortized deferred loss on debt refunding	-	49,737	49,737	-
Pension	2,520,727	916,596	3,437,323	-
OPEB	621,402	265,710	887,112	-
Total deferred inflows of resources	6,611,355	1,232,043	7,843,398	-
Net position:				
Net investment in capital assets	8,532,399	4,097,351	12,629,750	888,034
Restricted for:				
Debt service	473,454	-	473,454	-
Capital projects	3,909,959	-	3,909,959	-
Streets and highways	3,469,427	-	3,469,427	-
Fire and EMS	956,050	-	956,050	-
Police	1,075,851	-	1,075,851	-
Courts	458,753	-	458,753	-
Public health	43,869	-	43,869	-
Recreation	293,943	-	293,943	-
Other purposes	850,295	-	850,295	-
Unrestricted	3,420,591	3,434,409	6,855,000	107,674
Total net position	$ 23,484,591	$ 7,531,760	$ 31,016,351	$ 995,708

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

		Program Revenues		
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental activities:				
Current:				
General government	$ 2,678,128	$ 626,023	$ 418,133	$ -
Security of persons and property - police	3,446,564	391,136	39,014	516
Security of persons and property - fire	567,556	1,254	593,103	-
Public health and welfare	165,398	144,861	1,672	-
Transportation	2,075,259	428,773	997,583	394
Leisure time activity	656,757	169,833	62,574	298,278
Utility services	107,668	-	-	-
Other	27,328	-	-	-
Refuse	1,124,335	1,256,954	-	-
Interest and fiscal charges	550,567	-	-	-
Total governmental activities	11,399,560	3,018,834	2,112,079	299,188
Business-type activities:				
Water	2,075,702	2,716,210	25,238	325,000
Sewer	2,142,918	2,892,106	-	-
Total business-type activities	4,218,620	5,608,316	25,238	325,000
Total primary government	$ 15,618,180	$ 8,627,150	$ 2,137,317	$ 624,188
Component Unit:				
Port Authority	$ 245,986	$ 220,194	$ 6,200	$ -

General revenues:
Property taxes levied for:
General purposes
Debt service
Capital outlay
Other purposes
Income taxes levied for:
General purposes
Other purposes
Grants and entitlements not restricted to specific programs
Investment earnings / fair value adjustment
Miscellaneous

Total general revenues

Change in net position

Net position at beginning of year

Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Total	Component Unit Port Authority
$ (1,633,972)	$ -	$ (1,633,972)	$ -
(3,015,898)	-	(3,015,898)	-
26,801	-	26,801	-
(18,865)	-	(18,865)	-
(648,509)	-	(648,509)	-
(126,072)	-	(126,072)	-
(107,668)	-	(107,668)	-
(27,328)	-	(27,328)	-
132,619	-	132,619	-
(550,567)	-	(550,567)	-
(5,969,459)	-	(5,969,459)	-
-	990,746	990,746	-
-	749,188	749,188	-
-	1,739,934	1,739,934	-
(5,969,459)	1,739,934	(4,229,525)	-
-	-	-	(19,592)
2,591,049	-	2,591,049	-
87,340	-	87,340	-
436,683	-	436,683	-
657,140	-	657,140	-
3,081,055	-	3,081,055	-
1,721,129	-	1,721,129	-
578,611	-	578,611	-
(519,140)	550	(518,590)	6,614
173,977	17,455	191,432	-
8,807,844	18,005	8,825,849	6,614
2,838,385	1,757,939	4,596,324	(12,978)
20,646,206	5,773,821	26,420,027	1,008,686
$ 23,484,591	$ 7,531,760	$ 31,016,351	$ 995,708

CITY OF VERMILION, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

	General	Road Improvement Levy	FEMA Fire Grant	VPD Station Construction	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in pooled cash and cash equivalents	$ 4,481,374	$ 2,196,525	$ 602,261	$ 3,994,066	$ 13,903,628	$ 25,177,854
Receivables:						
Income taxes	1,295,390	729,504	-	-	302,289	2,327,183
Real and other taxes	2,339,463	-	-	-	922,937	3,262,400
Accounts	18,789	-	-	-	253,003	271,792
Special assessments	6,141	-	-	-	469,511	475,652
Interfund loans	678,866	-	-	-	-	678,866
Accrued interest	38,553	-	-	-	-	38,553
Due from other governments	302,166	-	610,713	-	504,577	1,417,456
Advances to other funds	20,000	-	-	-	-	20,000
Materials and supplies inventory	-	-	-	-	13,338	13,338
Prepayments	87,704	-	-	-	788	88,492
Total assets	$ 9,268,446	$ 2,926,029	$ 1,212,974	$ 3,994,066	$ 16,370,071	$ 33,771,586
Liabilities:						
Accounts payable	$ 13,554	$ -	$ -	$ -	$ 102,420	$ 115,974
Contracts payable	-	-	-	-	2,479	2,479
Retainage payable	-	-	-	-	78,967	78,967
Accrued wages and benefits payable	65,692	-	-	-	18,209	83,901
Interfund loans payable	-	-	620,216	-	25,000	645,216
Due to other governments	39,039	-	-	-	29,325	68,364
Unearned revenue	-	-	-	-	637,543	637,543
Total liabilities	118,285	-	620,216	-	893,943	1,632,444
Deferred inflows of resources:						
Property taxes levied for the next fiscal year	2,276,539	-	-	-	1,192,687	3,469,226
Delinquent property tax revenue not available	62,924	-	-	-	32,539	95,463
Accrued interest not available	20,255	-	-	-	-	20,255
Special assessments revenue not available	6,141	-	-	-	469,511	475,652
Miscellaneous revenue not available	17,134	-	-	-	-	17,134
Income tax revenue not available	1,097,180	617,929	-	-	-	1,715,109
Intergovernmental revenue not available	268,246	-	610,713	-	381,436	1,260,395
Total deferred inflows of resources	3,748,419	617,929	610,713	-	2,076,173	7,053,234
Fund balances:						
Nonspendable	110,415	-	-	-	14,126	124,541
Restricted	-	2,308,100	-	3,994,066	11,714,506	18,016,672
Committed	345,830	-	-	-	1,671,323	2,017,153
Assigned	475,259	-	-	-	-	475,259
Unassigned	4,470,238	-	(17,955)	-	-	4,452,283
Total fund balances	5,401,742	2,308,100	(17,955)	3,994,066	13,399,955	25,085,908
Total liabilities, deferred inflows of resources and fund balances	$ 9,268,446	$ 2,926,029	$ 1,212,974	$ 3,994,066	$ 16,370,071	$ 33,771,586

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

Total governmental fund balances		$ 25,085,908
Amounts reported for governmental activities on 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.		19,070,865
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	$ 1,715,109	
Real and other taxes receivable	95,463	
Accounts receivable	17,134	
Intergovernmental receivable	1,260,395	
Special assessments receivable	475,652	
Accrued interest receivable	20,255	
Total		3,584,008
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(57,107)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.		97,931
Unamortized premiums on bond issuances are not recognized in the funds.		(359,270)
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds		
Net pension asset	42,147	
Deferred outflows of resources	1,424,557	
Deferred inflows of resources	(2,520,727)	
Net pension liability	(4,114,739)	
Total		(5,168,762)
The net OPEB asset and net OPEB liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Net OPEB asset	398,872	
Deferred outflows of resources	426,206	
Deferred inflows of resources	(621,402)	
Net OPEB liability	(518,370)	
Total		(314,694)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(368,214)	
Police and fire pension liability	(40,712)	
Lease payable	(206,660)	
General obligation bonds payable	(14,910,000)	
Direct placement bonds	(1,712,000)	
Financed purchase obligation	(49,733)	
Loans payable	(324,969)	
Special assessment bonds payable	(842,000)	
Total		(18,454,288)
Net position of governmental activities		$ 23,484,591

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

	General	Road Improvement Levy	FEMA Fire Grant	VPD Station Construction	Other Governmental Funds	Total Governmental Funds
Revenues:						
Income taxes	$ 2,974,068	$ 1,676,691	$ -	$ -	$ -	$ 4,650,759
Real and other taxes	2,588,117	-	-	-	1,190,042	3,778,159
Charges for services	124,882	-	-	-	1,864,711	1,989,593
Licenses and permits	389,116	-	-	-	-	389,116
Fines and forfeitures	372,286	-	-	-	125,774	498,060
Intergovernmental	419,749	-	-	-	1,649,175	2,068,924
Special assessments	13,455	-	-	-	56,120	69,575
Investment income / fair value adjustment	(520,164)	-	-	516	2,066	(517,582)
Contributions and donations	300,608	-	-	-	33,353	333,961
Other	143,428	-	-	-	211,482	354,910
Total revenues	6,805,545	1,676,691	-	516	5,132,723	13,615,475
Expenditures:						
Current:						
General government	2,321,157	-	-	-	449,388	2,770,545
Security of persons and property - police	2,981,594	-	-	-	370,414	3,352,008
Security of persons and property - fire	120,240	-	-	-	393,886	514,126
Public health and welfare	-	-	-	-	149,827	149,827
Transportation	-	1,403,266	-	-	253,281	1,656,547
Leisure time activity	270,198	-	-	-	369,854	640,052
Utility services	121,616	-	-	-	-	121,616
Refuse	-	-	-	-	1,124,335	1,124,335
Other	66,112	-	-	-	-	66,112
Capital outlay	372,221	39,611	345	6,450	1,741,012	2,159,639
Debt service:						
Principal retirement	152,437	33,847	-	-	375,601	561,885
Interest and fiscal charges	7,164	78,800	-	-	280,404	366,368
Bond issuance costs	-	-	-	74,404	57,326	131,730
Total expenditures	6,412,739	1,555,524	345	80,854	5,565,328	13,614,790
Excess (deficiency) of revenues over (under) expenditures	392,806	121,167	(345)	(80,338)	(432,605)	685
Other financing sources (uses):						
Bond issuance	-	-	-	4,000,000	3,055,000	7,055,000
Lease transaction	314,316	-	-	-	-	314,316
Transfers in	-	-	-	-	226,662	226,662
Transfers (out)	(226,662)	-	-	-	-	(226,662)
Premium on bond issuance	-	-	-	74,404	155,388	229,792
Total other financing sources (uses)	87,654	-	-	4,074,404	3,437,050	7,599,108
Net change in fund balances	480,460	121,167	(345)	3,994,066	3,004,445	7,599,793
Fund balances at beginning of year	4,921,282	2,186,933	(17,610)	-	10,395,510	17,486,115
Fund balances at end of year	$ 5,401,742	$ 2,308,100	$ (17,955)	$ 3,994,066	$ 13,399,955	$ 25,085,908

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, 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
(SEE ACCOUNTANT'S COMPILATION REPORT)

Net change in fund balances - total governmental funds		$ 7,599,793
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 exceeds depreciation expense in the current period.		
Capital asset additions	$ 1,770,775	
Current year depreciation	(956,148)	
Total		814,627
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	151,425	
Real and other taxes	(5,947)	
Intergovernmental revenues	614,960	
Special assessments	(58,665)	
Investment income	1,024	
Other	(80,327)	
Total		622,470
The issuance of bonds and leases are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		(7,369,316)
Repayment of bond, loans and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		561,885
Premiums on general obligation bonds are recognized as other financing sources in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		(229,792)
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.		
Increase in accrued interest payable	(30,632)	
Amortization of deferred amounts on refunding	(9,944)	
Amortization of bond premiums and discounts	14,582	
Total		(25,994)
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	553,269	
OPEB	7,273	
Total		560,542
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	92,526	
OPEB	238,116	
Total		330,642
Some expenses reported in the statement of activities, such as compensated absences and the police pension liability do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(26,472)
Change in net position of governmental activities		$ 2,838,385

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Income taxes	$ 2,653,396	$ 2,898,000	$ 2,950,317	$ 52,317
Real and other taxes	2,371,763	2,590,405	2,589,364	(1,041)
Charges for services	64,813	70,788	79,653	8,865
Licenses and permits	357,676	390,649	389,116	(1,533)
Fines and forfeitures	384,459	419,900	349,951	(69,949)
Intergovernmental	413,181	451,270	400,274	(50,996)
Special assessments	12,319	13,455	13,455	-
Investment income	162,060	177,000	246,694	69,694
Contributions and donations	45,780	50,000	30,549	(19,451)
Other	142,234	155,345	132,261	(23,084)
Total revenues	6,607,681	7,216,812	7,181,634	(35,178)
Expenditures:				
Current:				
General government	2,282,716	2,692,462	2,443,500	248,962
Security of persons and property - police	2,623,550	3,094,475	3,015,451	79,024
Security of persons and property - fire	131,857	155,525	120,240	35,285
Leisure time activity	12,717	15,000	14,681	319
Utility services	107,017	126,227	121,909	4,318
Other	51,039	60,200	58,032	2,168
Capital outlay	394,393	465,186	422,682	42,504
Debt service:				
Principal retirement	5,000	5,000	5,000	-
Interest and fiscal charges	4,025	4,025	4,025	-
Total expenditures	5,612,314	6,618,100	6,205,520	412,580
Excess of revenues over expenditures	995,367	598,712	976,114	377,402
Other financing sources (uses):				
Advances in	234,821	234,821	214,821	(20,000)
Advances (out)	(683,866)	(683,866)	(658,866)	25,000
Transfers in	37	37	37	-
Transfers (out)	(422,000)	(422,000)	(376,662)	45,338
Total other financing sources (uses)	(871,008)	(871,008)	(820,670)	50,338
Net change in fund balances	124,359	(272,296)	155,444	427,740
Fund balances at beginning of year	4,017,139	4,017,139	4,017,139	-
Prior year encumbrances appropriated	87,573	87,573	87,573	-
Fund balance at end of year	$ 4,229,071	$ 3,832,416	$ 4,260,156	$ 427,740

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ROAD IMPROVEMENT LEVY
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Revenues:				
Income taxes	$ 1,600,500	$ 1,605,500	$ 1,661,481	$ 55,981
Intergovernmental	100,000	100,000	68,738	(31,262)
Charges for services	700	700	-	(700)
Other	3,000	3,000	-	(3,000)
Total revenues	1,704,200	1,709,200	1,730,219	21,019
Expenditures:				
Current:				
Transportation	1,767,514	2,361,922	1,749,422	612,500
Capital outlay	290,248	290,248	232,062	58,186
Debt service:				
Principal retirement	50,000	50,000	33,847	16,153
Interest and fiscal charges	87,000	87,000	78,800	8,200
Total expenditures	2,194,762	2,789,170	2,094,131	695,039
Net change in fund balances	(490,562)	(1,079,970)	(363,912)	716,058
Fund balances at beginning of year	1,698,475	1,698,475	1,698,475	-
Prior year encumbrances appropriated	533,262	533,262	533,262	-
Fund balance at end of year	$ 1,741,175	$ 1,151,767	$ 1,867,825	$ 716,058

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO
ERIE COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE FEMA GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
Intergovernmental.	$ 610,713	$ 610,713	$ -	$ (610,713)
Total revenues	610,713	610,713	-	(610,713)
Expenditures:				
Current:				
Capital outlay	613,103	613,103	602,356	10,747
Total expenditures	613,103	613,103	602,356	10,747
Excess (deficiency) of revenues over (under) expenditures.	(2,390)	(2,390)	(602,356)	(599,966)
Other financing sources (uses):				
Advances in	-	-	600,216	600,216
Total other financing sources (uses)	-	-	600,216	600,216
Net change in fund balances	(2,390)	(2,390)	(2,140)	250
Fund balances at beginning of year	2,390	2,390	2,390	-
Fund balance at end of year	$ -	$ -	$ 250	$ 250

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Business-type Activities - Enterprise Funds		
	Water	**Sewer**	**Total**
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	$ 2,096,328	$ 5,583,696	$ 7,680,024
Receivables:			
Accounts	254,897	332,227	587,124
Special assessments	77	1,030,836	1,030,913
Due from other governments	25,238	-	25,238
Materials and supplies inventory	7,191	1,168	8,359
Prepayments	288	-	288
Total current assets	2,384,019	6,947,927	9,331,946
Noncurrent assets:			
Net pension asset	14,390	12,330	26,720
Net OPEB asset	136,179	116,687	252,866
Capital assets:			
Land and construction in progress	1,014,132	158,095	1,172,227
Depreciable capital assets, net	6,846,799	5,340,479	12,187,278
Total capital assets, net	7,860,931	5,498,574	13,359,505
Total noncurrent assets	8,011,500	5,627,591	13,639,091
Total assets	10,395,519	12,575,518	22,971,037
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	8,235	7,394	15,629
Pension	173,831	144,799	318,630
OPEB	3,505	88	3,593
Total deferred outflows of resources	185,571	152,281	337,852
Total assets and deferred outflows of resources	10,581,090	12,727,799	23,308,889
Liabilities:			
Current liabilities:			
Accounts payable	19,916	33,131	53,047
Contracts payable	341,896	-	341,896
Accrued wages and benefits payable	21,594	8,557	30,151
Due to other governments	10,196	7,765	17,961
Interfund loans payable	33,650	-	33,650
Accrued interest payable	5,252	25,931	31,183
Compensated absences payable - current	39,469	4,361	43,830
Advances from other funds	20,000	-	20,000
General obligation bonds payable	320,000	349,335	669,335
Special assessment bonds payable	-	218,665	218,665
OWDA loans payable	-	228,729	228,729
Capital lease obligations payable	13,171	13,171	26,342
Total current liabilities	825,144	889,645	1,714,789
Long-term liabilities:			
Compensated absences payable	77,606	8,576	86,182
General obligation bonds payable	1,850,903	5,703,084	7,553,987
Special assessment bonds payable	-	1,199,392	1,199,392
OWDA loans payable	-	3,180,278	3,180,278
Capital lease obligations payable	37,486	37,486	74,972
Net pension liability	396,090	339,396	735,486
Total long-term liabilities	2,362,085	10,468,212	12,830,297
Total liabilities	3,187,229	11,357,857	14,545,086
Deferred inflows of resources:			
Unamortized deferred loss on debt refunding	-	49,737	49,737
Pension	484,515	432,081	916,596
OPEB	140,701	125,009	265,710
Total deferred inflows of resources	625,216	606,827	1,232,043
Net position:			
Net investment in capital assets (deficit)	5,305,710	(1,208,359)	4,097,351
Unrestricted	1,462,935	1,971,474	3,434,409
Total net position (deficit)	$ 6,768,645	$ 763,115	$ 7,531,760

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Business-type Activities - Enterprise Funds		
	Water	**Sewer**	**Total**
Operating revenues:			
Charges for services	$ 2,716,210	$ 2,892,106	$ 5,608,316
Other operating revenues	3,996	13,459	17,455
Total operating revenues	2,720,206	2,905,565	5,625,771
Operating expenses:			
Personal services	778,795	733,824	1,512,619
Contract services	619,249	334,276	953,525
Materials and supplies	222,784	169,130	391,914
Utilities	57,842	214,547	272,389
Depreciation	364,594	428,392	792,986
Other	2,135	-	-
Total operating expenses	2,045,399	1,880,169	3,923,433
Operating income	674,807	1,025,396	1,702,338
Nonoperating revenues (expenses):			
Interest and fiscal charges	(30,303)	(183,166)	(213,469)
Interest income	-	550	550
Intergovernmental	25,238	-	25,238
Bond issuance costs	-	(79,583)	(79,583)
Total nonoperating revenues (expenses)	(5,065)	(262,199)	(267,264)
Income before contributions	669,742	763,197	1,435,074
Capital contributions	325,000	-	325,000
Change in net position	994,742	763,197	1,757,939
Net position at beginning of year (deficit)	5,773,903	(82)	5,773,821
Net position at end of year (deficit)	$ 6,768,645	$ 763,115	$ 7,531,760

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Business-type Activities - Enterprise Funds		
	Water	**Sewer**	**Total**
Cash flows from operating activities:			
Cash received from sales/charges for services.	$ 2,878,705	$ 3,012,519	$ 5,891,224
Cash received from other operations	3,996	13,459	17,455
Cash payments for personal services.	(1,008,252)	(972,874)	(1,981,126)
Cash payments for contractual services	(714,245)	(526,701)	(1,240,946)
Cash payments for materials and supplies	(213,181)	(164,941)	(378,122)
Cash payments for other expenses	(2,135)	-	(2,135)
Net cash provided by operating activities	944,888	1,361,462	2,306,350
Cash flows from noncapital financing activities:			
Cash received from interfund loans	33,650	-	-
Net cash provided by noncapital financing activities.	33,650	-	-
Cash flows from capital and related financing activities:			
Cash received from grants and subsidies.	325,000	-	325,000
Acquisition of capital assets	(656,114)	(125,414)	(781,528)
Principal retirement.	(283,791)	(689,544)	(973,335)
Issuance of bonds.	-	4,265,000	4,265,000
Interest and fiscal charges	(42,131)	(190,868)	(232,999)
Bond issuance costs.	-	(79,583)	(79,583)
Premium on bond issuance.	-	79,333	79,333
Net cash provided by (used in) capital and related financing activities.	(657,036)	3,258,924	2,601,888
Cash flows from investing activities:			
Interest received	-	550	550
Net cash provided by investing activities	-	550	550
Net increase in cash and cash equivalents	321,502	4,620,936	4,942,438
Cash and cash equivalents at beginning of year	1,774,826	962,760	2,737,586
Cash and cash equivalents at end of year	$ 2,096,328	$ 5,583,696	$ 7,680,024

CITY OF VERMILION, OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Business-type Activities - Enterprise Funds		
	Water	**Sewer**	**Total**
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 674,807	$ 1,025,396	$ 1,700,203
Adjustments:			
Depreciation	364,594	428,392	792,986
Changes in assets, deferred outflows, liabilities and deferred inflows:			
Materials and supplies inventory	(2,946)	1,638	(1,308)
Accounts receivable	162,329	113,731	276,060
Special assessments	166	6,682	6,848
Prepayments	29,405	8,454	37,859
Net pension asset	(8,121)	(6,817)	(14,938)
Net OPEB asset	(60,020)	(49,716)	(109,736)
Deferred outflows - pension	(68,232)	(61,854)	(130,086)
Deferred outflows - OPEB	57,872	54,259	112,131
Accounts payable	1,559	16,219	17,778
Accrued wages and benefits	3,703	1,529	5,232
Contracts payable	(55,273)	-	(55,273)
Intergovernmental payable	(194)	340	146
Compensated absences payable	24,091	(3,010)	21,081
Net pension liability	(272,828)	(248,825)	(521,653)
Deferred inflows - pension	186,066	163,262	349,328
Deferred inflows - OPEB	(92,090)	(88,218)	(180,308)
Net cash provided by operating activities	$ 944,888	$ 1,361,462	$ 2,306,350

Non-cash transactions:
The water fund purchased $341,896 in capital assets on account in 2022.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO

STATEMENT OF FIUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Custodial
Assets:	
Equity in pooled cash and cash equivalents.	$ 164,937
Cash in segregated accounts	11,927
Total assets	176,864
Liabilities:	
Due to other governments	13,891
Total liabilities	13,891
Net position:	
Restricted for individuals, organizations and other governments . .	162,973
Total net position	$ 162,973

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Custodial
Additions:	
Fines and forfeitures for other governments	$ 520,437
Other custodial fund collections	154,800
Total additions	675,237
Deductions:	
Fines and forfeitures distributions to other governments	518,657
Other custodial fund disbursements	2,472
Total deductions	521,129
Net change in fiduciary net position	154,108
Net position beginning of year	8,865
Net position end of year	$ 162,973

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 - DESCRIPTION OF THE CITY

The City of Vermilion (the "City") is a charter municipal corporation operating under the laws of the State of Ohio. Vermilion was incorporated as a City in 1962. The current charter provides for a council-mayor form of government. Legislative power is vested in a seven-member council, each elected to two-year terms. Five council members are elected from their ward with two elected at large. The four-year term mayor appoints department directors and public members of administrative bodies. The judge for the Vermilion Municipal Court is elected to a six-year term.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standard 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. Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading.

The City provides various services including police protection, firefighting and prevention, emergency medical services, street maintenance and repairs, sanitation services, building inspection services, parks and recreation, water and sewer services, water safety and ice breaking services, cemeteries, and a municipal court. 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, as the primary government, 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 issuance of debt, or the levying of taxes.

The Vermilion Municipal Court - The City budgets and appropriates funds for the operation of the Court and is ultimately responsible for any operating deficits sustained by the Court. The City's share of the fines collected by the Court along with its share of the Court's administrative and operating costs are recorded pursuant to State law in the City's general fund. Due to this relationship, the Court is not considered a component unit of the City but rather as part of the primary government unit itself. Monies held by the Court in a fiduciary capacity are recorded as a custodial fund in the accompanying financial statements.

Based on the above criteria, the following organization is included in the City's financial statements as a discretely presented component unit.

The Vermilion Port Authority - Current state legislation provides for the Port Authority to operate as a separate body politic. The Vermilion Port Authority consists of five members appointed by the Mayor and approved by City Council. Monies are received and disbursed by the City's Finance Director on behalf of the Port Authority as directed by the five-member board.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

The City's basic financial statements consist of government-wide financial 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 financial activities of the discretely presented component unit are also reflected on the government wide financial statements. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. The policy of the City is to not allocate indirect expenses to the functions in the statement of activities. 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 revenue, are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements **-** 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.

C. Fund Accounting

The City's accounting system is organized and operated on the basis of funds. The operation of each fund is accounted for within a set of self-balancing accounts recording cash and other financial resources, together with all related liabilities, deferred inflows of resources and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Funds are classified into three categories: governmental, proprietary, and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The following are the City's major governmental funds:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Road Improvement Levy Fund - To account for expenditures on road improvements made from revenue derived from a .5% income tax levy.

FEMA Fire Grant Fund - To account for expenditures on firefighting related expenditures made from revenue derived from a FEMA Firefighters Assistance Grant.

VPD Station Construction Fund - To account for expenditures on construction of a police station made from revenue derived from a bond issuance.

Proprietary Funds **-** Proprietary funds are used to account for the City's ongoing organizations and activities which are similar to those found in the private sector. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this approach, the focus is upon the determination of net income, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service:

Enterprise Funds - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Water Fund - This fund accounts for the revenues and expenses of the City owned water system.

Sewer Fund - This fund accounts for the revenues and expenses of the City owned sewer system.

Fiduciary Funds **-** Fiduciary funds reporting focuses on net position and changes in net position. The fiduciary fund category is spilt into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City's custodial funds accounts for municipal court's undistributed monies, and the collection of fees for commercial buildings and the state highway patrol and remitted to other governments.

D. Measurement Focus

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increase (i.e., revenues) and decrease (i.e., expenses) in net total assets. The statement of cash flows provides information about the City finances and meets the cash flow needs of its proprietary activities. Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic 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 the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenue - Exchange and Nonexchange Transaction **-** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the 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 year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, estate taxes, motel-hotel taxes, property taxes, estate taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes, estate taxes, and motel-hotel taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from the nonexchange transactions must also be available before it can be recognized.

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

<u>Deferred Outflows/Inflows of Resources</u>

In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 12 and 13 for deferred outflows of resources related to net pension liability/asset and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include property taxes 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 of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. Unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Notes 12 and 13 for deferred inflows of resources related to net pension liability/asset and net OPEB liability/asset, respectively. These deferred inflows of resources are only reported on the government-wide statement of net position.

Expense/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 the governmental funds.

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that the appropriations cannot exceed estimated resources, as certified. All funds, other than custodial funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the object level of personal services, capital expenses, and other for all funds. Budgetary modifications may only be made by ordinance of the City Council at the legal level of control.

Tax Budget **-** During the first Council meeting in July, the Mayor presents the annual operating budget for the following year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources **-** The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2022.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Appropriations **-** A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and breakouts the personal services for each department in the general fund. The other funds show the amount for personal services and other. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations within a fund may be modified during the year by an ordinance of Council. During the year, several supplemental appropriation measures were passed. The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

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

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

G. Equity in Pooled Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds, except for the claims rotary trust internal service fund and municipal court agency fund, 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 cash equivalents".

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City treasury. The cash of the municipal court custodial fund is included in this line item.

During 2022, investments were limited to negotiable certificates of deposits, port authority bond, federal agency securities, IBRD, U.S. government treasury notes, U.S. government money market and State Treasury Asset Reserve of Ohio (STAR Ohio). The federal agency securities held at year-end were issued from Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), and Federal Farm Credit Bank (FFCB).

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating repurchase agreements, which are reported at cost. For investments in open-end mutual funds, fair value is determined by the fund's share price.

The City's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2022 amounted to $207,236, which includes $31,672 assigned from other City's funds.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and should be updated for additions and retirements during the year. Capital assets were initially determined at December 31, 1989, by assigning original acquisition costs when such information was available. In cases where information supporting original costs was not practicably determinable, estimated historical costs were developed. For certain capital assets, the estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of $5,000 for the governmental activities. No capitalization threshold is used for the business-type activities. The City's infrastructure consists of roads, guardrails, bridges, water lines, sewer lines and storm water drainage. 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 capitalized. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated except for land and construction in progress. Depreciation is determined by allocating the cost of capital assets over the estimated useful lives of the assets on a straight-line basis. The estimated useful lives are as follows:

	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	20 Years	20 Years
Equipment	5 - 10 Years	5 - 10 Years
Land Improvements	10 - 20 Years	10 - 20 Years
Infrastructure	20 Years	5 - 50 Years
Intangible leased assets	5 Years	5 Years
Traffic Lights	20 Years	N/A
Vehicles	3 - 5 Years	3 - 5 Years

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The City is reporting intangible right to use assets related to leased equipment and vehicles. The intangible assets are being amortized in a systematic and rational manner of the shorter of the lease term or the useful life of the underlying asset.

I. Pension and Other Postemployment Benefits (OPEB)

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

The current accounting standard requires Cities to report their proportionate share of the net pension/OPEB liability using the earning approach to pension and OPEB accounting instead of the funding approach as previously used. The funding approach limited pension and postemployment costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. Under the new standards, the net pension/OPEB liability equals the City's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. The unfunded portion of this benefit of exchange is a liability of the City. However, the City is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension/OPEB benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the pension and OPEB plans.

There is no repayment schedule for the net pension/OPEB liability. The City has no control over the changes in the benefits, contributions rates, and return on investments affecting the balance of the liabilities. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension/OPEB liability is satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

J. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. 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 in the proprietary fund financial statements.

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

L. Interfund Transactions

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

During the normal course of operations, the City has numerous transactions between funds. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended and are recorded as other financing sources (uses) in the governmental funds and as transfers in proprietary funds. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the City are treated similarly when involving other funds of the City.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable/interfund payable" for the current portion of interfund loans or advances to/from other funds for the noncurrent portion of interfund loans. These amounts are eliminated in the Statement of Net Position, except for any residual balances outstanding between the governmental activities and business-type activities, which are reported in the government-wide financial statements as "internal balances". Long-term advances between funds, as reported in the governmental fund financial statements, are often offset by a nonspendable fund balance classification in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for the water, sewer activities, and self-insurance program. Operating expenses are necessary costs incurred to provide the goods and services that are the primary activity of the fund. All revenues and expenses not meeting these definitions are classified as nonoperating.

N. Fund Balance

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 interfund loans, prepaid items, materials and supplies inventory, and endowments.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances). Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. The finance director is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. City Council 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.

O. Net Position

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The City reported no significant net position balances restricted by enabling legislation. Net position restricted for other purposes primarily consists of balances restricted for operating expenses of the City's fire department and for capital improvements.

P. Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2022, the City has implemented GASB Statement No. 87, "*Leases*", GASB Implementation Guide 2019-3, "*Leases*", GASB Implementation Guide 2020-1, "*Implementation Guide Update - 2020*", GASB Statement No. 91, "*Conduit Debt Obligations*", GASB Statement No. 92, "*Omnibus 2020*", GASB Statement No. 93, "*Replacement of Interbank Offered Rates*", GASB Statement No. 97, " *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*" and certain paragraphs of GASB Statement No. 99, "*Omnibus 2022*".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance 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.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the City.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the City.

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

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the City.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the City.

GASB Statement No. 99 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the City.

B. Deficit Fund Balances

Fund balances at December 31, 2022 included the following individual fund deficit:

Major Fund	Deficit
FEMA Fire Grant	$ 17,955

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP) 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 and to demonstrate compliance with state statute.

The major differences between the budget basis and the GAAP are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

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

3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balance (GAAP basis).

4. Advances in and advances out ("repayment of advances") are nonoperating transactions (budget basis) and opposed to balance sheet transactions (GAAP basis).

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

5. Some funds are included in the general fund (GAAP basis) but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis are as follows:

	General Fund	Road Improvement Fund	FEMA Fire Grant
Budget basis	$ 155,444	$ (363,912)	$ (2,140)
Net adjustment for revenue accruals	(744,236)	(53,528)	-
Net adjustment for expenditure accruals	(470,312)	209,907	-
Net adjustment for other sources/uses	908,324	-	(600,216)
Funds budgeted elsewhere	154,081	-	-
Adjustment for encumbrances	477,159	328,700	602,011
GAAP basis	$ 480,460	$ 121,167	$ (345)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current 5-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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, by surety company bonds with the City Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be 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 and interest by the United States;

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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, the State Treasury Asset Reserve of Ohio (STAR Ohio);

7. Certain banker's acceptances (for a period not to exceed one hundred eighty days and commercial paper notes (for a period not to exceed two hundred seventy days) in an mount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the 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.

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. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligations or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: At year-end, the carrying amount of the City's deposits was $2,238,427 and the bank balance was $2,523,840. At year-end, the bank balance was protected by pledged collateral for any uninsured amounts. In addition, at year-end, the City had $250 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

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NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

Investments: Investments are reported at fair value. As of December 31, 2022, the City had the following investments:

Measurement/ Investment Type	Measurement Value	6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair Value:						
US Treasury Note	$ 13,286,142	$ 2,949,939	$ 8,414,941	$ 97,074	$ 186,976	$ 1,637,212
US Tresaury Bonds	572,400	199,695	73,289	125,379	-	174,037
FFCB	4,831,048	-	2,042,519	1,666,531	285,647	836,351
FHLB	5,083,700	-	851,768	1,500,813	2,171,754	559,365
FMCC	374,497	-	-	-	-	374,497
FNMA	777,030	-	143,955	-	142,628	490,447
IBRD	86,890	-	-	-	-	86,890
Negotiable CDs	3,219,931	741,402	826,324	1,103,772	186,003	362,430
Port Authority Bond	882,527	-	-	-	-	882,527
US Government Money Market	27,581	27,581	-	-	-	-
Amortized Cost:						
STAR Ohio	1,654,319	1,654,319	-	-	-	-
Total	$ 30,796,065	$ 5,572,936	$ 12,352,796	$ 4,493,569	$ 2,973,008	$ 5,403,756

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The preceding table identifies the City's recurring fair value measurement as of December 31, 2021. As previously discussed, Star Ohio is reported at its net asset value. All other investments of the City are valued using Level 2 inputs using valuations techniques that incorporate market data for similar investments, broker quotes and inactive transactions prices.

Custodial Credit Risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits 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 one hundred five 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 one hundred two percent of the deposits being secured or a lower rate if permitted by the Treasurer of State.

*Custodial Risk***:** For an investment, custodial risk is the risk that in the event of failure of the counterparty, 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 securities, held by the counterparty and not in the City's name, are the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Bank (FFCB), and International Bank for Reconstruction and Development (IBRD). 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 Finance Director or qualified trustee.

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The City's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the City.

Credit Risk: is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The investments in FNMA, FHLMC, FHLB and FFCB are registered and carry a rating AA+ by Standard & Poor's. The City's investments in IBRD are rated AAA by Standard & Poor's. The City's investment in STAR Ohio has an AAAm credit rating. The City's investment in the Vermilion Port Authority bond is not rated.

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2022:

Measurement/ Investment Type	Measurement Value	% of Total
Fair Value:		
US Treasury Note	$ 13,286,142	43.14%
US Treasury Bonds	572,400	1.86%
FFCB	4,831,048	15.69%
FHLB	5,083,700	16.50%
FMCC	374,497	1.22%
FNMA	777,030	2.52%
IBRD	86,890	0.28%
Negotiable CDs	3,219,931	10.46%
Port Authority Bond	882,527	2.87%
US Government Money Market	27,581	0.09%
Amortized Cost:		
STAR Ohio	1,654,319	5.37%
Total	$ 30,796,065	100.00%

Reconciliation of Cash to the Statement of Net Position: The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of December 31, 2022:

Cash and investments per note	
Carrying amount of deposits	$ 2,238,427
Investments	30,796,065
Cash on hand	250
Total	$ 33,034,742
Cash per statement of net position	
Governmental activities	$ 25,177,854
Business-type activities	7,680,024
Custodial funds	176,864
Total	$ 33,034,742

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2022 for real and public utility property taxes represents collections of the 2021 taxes. Property tax payments received during 2022 for tangible personal property (other than public utility property) is for 2021 taxes.

2021 real property taxes are 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% of appraised market value. 2022 real property taxes are collected in and intended to finance 2023.

NOTE 6 - TAXES - (Continued)

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

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

The full tax rate for all City operations for the year ended December 31, 2022 was $11.75 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2022 property tax receipts were based are as follows:

	Erie County	Lorain County
Real estate		
Residential/agricultural/other	$ 137,435,950	$ 154,627,930
Commercial/industrial	13,336,980	22,726,000
Public utility	37,690	69,100
Tangible personal property		
Public utility	2,873,880	3,388,850
Total	$ 153,684,500	$ 180,811,880

B. Income Taxes

The City levies a municipal income tax of 1.5% on all salaries, wages, commission and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case, the City allows a credit not to exceed 100% of the tax paid to another municipality by the lower of the tax rate in such municipality or the rate of .5%.

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. Regional Income Tax Agency (RITA) is the City's collection agent for its local income tax. Income tax proceeds are receipted to the general fund and the road improvement levy fund.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2022 consisted of taxes, accounts (billing for user charged services), intergovernmental receivables, and special assessments. All receivables are considered fully collectible in full due to the ability to foreclose for the nonpayment of taxes.

A summary of the principal items of intergovernmental receivables follows:

NOTE 7 – RECEIVABLES – (Continued)

	Governmental activities
Gasoline tax	$ 323,132
Local government	131,000
Permissive tax	20,481
Homestead/rollback	227,510
Motor vehicle registration	44,694
Federal and State grants	654,713
Other	15,926
Total intergovernmental receivable	$ 1,417,456

NOTE 8 - COMPENSATED ABSENCES

Employees earn vacation and sick leave at different rates which is also affected by length of service. Vacation cannot be carried over for use in the following year. Sick leave accrual is continuous, without limit. Overtime worked is always paid to employees on the paycheck for the period in which it was worked. Upon retirement or death, employees (or the employees' estates) are paid for their accumulated leave with 1,000 hours being the maximum amount paid, except for patrolmen. Full-time patrolmen are paid for one half of their accumulated leave with 1,000 hours being the maximum amount paid. Part-time patrolmen and dispatchers who retire after accumulating 10 years in the Ohio Public Employees Retirement System are paid one half of their accumulated leave with 1,000 hours being the maximum amount paid. Upon retirement, accrued vacation is paid for the time the employees have earned but not used.

The current portion of unpaid compensated absences is recorded as a current liability on the fund financial statements in the fund from which the employees who have accumulated unpaid leave are paid. On the government-wide statements, the entire amount of compensated absences is reported as a liability. As of December 31, 2022, the liability for long-term unpaid compensated absences was $368,214 for the governmental activities, which would be paid from the general fund and the street maintenance and repair fund. The liability for long-term unpaid compensated absences for business-type activities was $130,013 which would be paid from water and sewer fund.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

	Balance 1/1/2022	Additions	Deductions	Balance 12/31/2022
Capital assets, not being depreciated/amortized:				
Land	$ 3,870,430	$ -	$ -	$ 3,870,430
Construction in progress	4,240,489	987,815	(4,454,719)	773,585
Total capital assets, not being depreciated/amortized	8,110,919	987,815	(4,454,719)	4,644,015
Capital assets, being depreciated/amortized:				
Buildings	4,066,390	3,939,356	-	8,005,746
Equipment	2,095,738	360,837	(84,041)	2,372,534
Infrastructure	21,978,335	605,885	-	22,584,220
Land improvements	2,532,304	-	-	2,532,304
Traffic lights	1,216,320	-	-	1,216,320
Vehicles	5,313,227	17,285	(277,926)	5,052,586
Right to use - Equipment	-	20,568	-	20,568
Right to use - Vehicles	-	293,748	-	293,748
Total capital assets, being depreciated/amortized	37,202,314	5,237,679	(361,967)	42,078,026
Less: accumulated depreciated/amortization				
Buildings	(2,585,796)	(158,736)	-	(2,744,532)
Equipment	(1,596,031)	(75,739)	84,041	(1,587,729)
Infrastructure	(16,011,400)	(398,364)	-	(16,409,764)
Land improvements	(2,287,639)	(56,605)	-	(2,344,244)
Traffic lights	(356,224)	(57,340)	-	(413,564)
Vehicles	(4,219,905)	(183,905)	277,926	(4,125,884)
Right to use - Equipment	-	(1,959)	-	(1,959)
Right to use - Vehicles	-	(23,500)	-	(23,500)
Total accumulated depreciation/amortization	(27,056,995)	(956,148)	361,967	(27,651,176)
Governmental activities capital assets, net	$ 18,256,238	$ 5,269,346	$ (4,454,719)	$ 19,070,865

Depreciation/amortization expense was charged to governmental functions as follows:

General government	$ 288,147
Security of persons and property - police	347,689
Security of persons and property - fire	53,430
Public health and welfare	15,571
Transportation	172,155
Leisure time activities	66,517
Utility services	12,639
Total depreciation/amortization expense - governmental activities	$ 956,148

NOTE 9 - CAPITAL ASSETS - (Continued)

Capital asset activity of the business-type activities for the year ended December 31, 2022 was as follows:

	Balance 1/1/2022	Additions	Deductions	Balance 12/31/2022
Capital assets, not being depreciated:				
Land	$ 258,003	$ -	$ -	$ 258,003
Construction in progress	-	914,224	-	914,224
Total capital assets, not being depreciated	258,003	914,224	-	1,172,227
Capital assets, being depreciated:				
Buildings	12,800,750	-	-	12,800,750
Equipment	9,813,356	75,505	-	9,888,861
Infrastructure	14,577,349	11,724	-	14,589,073
Land improvements	101,179	-	-	101,179
Vehicles	808,862	121,971	-	930,833
Total capital assets, being depreciated	38,101,496	209,200	-	38,310,696
Less: accumulated depreciated				
Buildings	(11,998,399)	(134,887)	-	(12,133,286)
Equipment	(7,221,730)	(250,045)	-	(7,471,775)
Infrastructure	(5,466,805)	(339,700)	-	(5,806,505)
Land improvements	(96,821)	(1,925)	-	(98,746)
Vehicles	(546,677)	(66,429)	-	(613,106)
Total accumulated depreciation	(25,330,432)	(792,986)	-	(26,123,418)
Business-type activities capital assets, net	$ 13,029,067	$ 330,438	$ -	$ 13,359,505

Depreciation expense was charged to business-type activities as follows:

Business-type activities	
Water	$ 364,594
Sewer	428,392
Total depreciation expense - business-type activities	$ 792,986

NOTE 10 - LONG-TERM OBLIGATIONS

The City's long-term obligations at year-end and a schedule of current year activity follow:

Governmental activities:	Balance 1/1/2022	Additions	Reductions	Balance 12/31/2022	Amounts Due in One Year
General obligation bonds:					
2018 Various Purpose Streets, 3.25-5%	$ 2,265,000	$ -	$ (20,000)	$ 2,245,000	$ 20,000
Premium	25,866	-	(2,762)	23,104	-
2018 Various Purpose Elberta Rd. Drainage, 3.25-5%	365,000	-	(5,000)	360,000	5,000
Premium	4,635	-	(343)	4,292	-
2018 Various Purpose Parking Lot, 3.25-5%	105,000	-	(5,000)	100,000	5,000
Premium	2,757	-	(251)	2,506	-
2019 Various Purpose Refunding Street, 2.26%	45,000	-	(15,000)	30,000	15,000
2019 Fire Station Improvement, 3-4%	3,820,000	-	(95,000)	3,725,000	95,000
Premium	42,693	-	(2,594)	40,099	-
2020 Various Purpose Refunding Bonds	1,475,000	-	(80,000)	1,395,000	95,000
Premium	49,563	-	(4,540)	45,023	-
2022 Various Purpose Bonds	-	7,055,000	-	7,055,000	125,000
Premium	-	229,792	(1,194)	228,598	-
Total general obligations bonds	8,200,514	7,284,792	(231,684)	15,253,622	360,000
Special assessment bonds:					
2011 Refunding - Edson Street, 2-3.85%	400,000	-	(35,000)	365,000	35,000
Premium	1,168	-	(203)	965	-
2018 Various Purpose Refunding Highbridge, 5%	55,000	-	(15,000)	40,000	20,000
Premium	2,855	-	(1,365)	1,490	-
2019 Various Purpose - Edgewater, 2.26%	43,000	-	(6,000)	37,000	6,000
2020 Various Purpose Refunding Lagoons	425,000	-	(25,000)	400,000	35,000
Premium	14,523	-	(1,330)	13,193	-
Total special assessment bonds	941,546	-	(83,898)	857,648	96,000
Ohio Public Works (OPWC) Loans (Direct Borrowings):					
Hollyview Drive Reconstruction - CE33V	130,625	-	(6,875)	123,750	6,875
Mapleview Drive Reconstruction - CE12X-0	137,500	-	(3,438)	134,062	6,875
Highbridge Road Reconstruction - CE26W	70,692	-	(3,535)	67,157	3,534
Total OPWC	338,817	-	(13,848)	324,969	17,284
Other long-term obligations:					
Direct Placement Bonds:					
2021 Storm Water System Improvement Bonds, 2.475%	1,239,000	-	(52,000)	1,187,000	53,000
2021 Recreational Facilities Improvement Bonds, 2.2%	560,000	-	(35,000)	525,000	35,000
Lease Payable	-	314,316	(107,656)	206,660	93,234
Financed Purchases - Notes Payable	102,114	-	(52,381)	49,733	12,974
Compensated Absences	339,307	143,296	(114,389)	368,214	124,134
Police Unfunded Pension Liability	43,147	-	(2,435)	40,712	2,540
Net Pension Liability:					
OPERS	1,936,612	-	(776,454)	1,160,158	-
OP&F	3,278,672	-	(324,091)	2,954,581	-
Net OPEB Liability					
OP&F	509,573	8,797	-	518,370	-
Total other long-term obligations	8,008,425	466,409	(1,464,406)	7,010,428	320,882
Total governmental activities long-term obligations	$ 17,489,302	$ 7,751,201	$ (1,793,836)	$ 23,446,667	$ 794,166

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Business-type activities:	Balance 1/1/2022	Additions	Reductions	Balance 12/31/2022	Amounts Due in One Year
General obligation bonds:					
Water fund:					
2012 Water System Refunding, 2.75-4%	$ 325,000	$ -	$ (50,000)	$ 275,000	$ 50,000
Premium	1,188	-	(330)	858	-
2011 Water Improvement Bonds, 2-3.85%	170,000	-	(15,000)	155,000	15,000
Premium	481	-	(82)	399	-
2018 Various Purpose Refunding Waterworks, 5%	35,000	-	(10,000)	25,000	10,000
Premium	1,859	-	(868)	991	-
2018 Various Purpose Refunding Water Plant, 5%	130,000	-	(40,000)	90,000	45,000
Premium	6,591	-	(3,233)	3,358	-
2019 Various Purpose Refunding - Water Treatment, 2.26%	369,000	-	(41,000)	328,000	45,000
2020 Water System Improvement Bonds - 2.0-5.0%	1,012,500	-	(80,000)	932,500	120,000
Premium	56,997	-	(7,200)	49,797	-
2020 General Obligation Refunding - Water 1.0-4.0%	345,000	-	(35,000)	310,000	35,000
Total water fund general obligations bonds	2,453,616	-	(282,713)	2,170,903	320,000
Sewer fund:					
2005 Sunny Side Sanitary Sewer, 4.9%	106,970	-	(25,335)	81,635	25,335
2018 Various Purpose Refunding Sewage System, 5%	30,000	-	(10,000)	20,000	10,000
Premium	1,003	-	(250)	753	-
2018 Various Purpose Refunding Wastewater Treatment, 5%	300,000	-	(95,000)	205,000	100,000
Premium	15,190	-	(7,470)	7,720	-
2019 Various Purpose - East Liberty, 2.26%	279,000	-	(32,000)	247,000	34,000
2020 Various Purpose Refunding Bonds - 1.0-4.0%	165,000	-	(5,000)	160,000	10,000
Premium	4,506	-	(413)	4,093	-
2020 Water System Improvement Bonds - 2.0-5.0%	1,012,500	-	(80,000)	932,500	120,000
Premium	56,997	-	(7,200)	49,797	-
2020 Sewer System Improvement Bonds - 2.0-5.0%	-	4,265,000		4,265,000	50,000
Premium	-	79,333	(412)	78,921	-
Total sewer fund general obligations bonds	1,971,166	4,344,333	(263,080)	6,052,419	349,335
Total general obligations bonds	4,424,782	4,344,333	(545,793)	8,223,322	669,335
Special assessment bonds:					
Sewer fund:					
2005 Sunny Side Sanitary SA 4.9%	83,030	-	(19,665)	63,365	19,665
2018 Various Purpose Refunding Lagoon, 5%	85,000	-	(25,000)	60,000	30,000
Premium	4,352	-	(2,114)	2,238	-
2019 Various Purpose - East Liberty, 2.26%	279,000	-	(32,000)	247,000	34,000
2020 Refunding - SS Subsystem K SA, 1.0-4.0%	1,145,000	-	(130,000)	1,015,000	135,000
Premium	33,525	-	(3,071)	30,454	-
Total special assessment bonds	1,629,907	-	(211,850)	1,418,057	218,665
Ohio Water Development Authority (OWDA) Loans:					
Sewer fund (Direct Borrowings):					
2011 WWTP Bio-solids Dewatering Facility, 2.62%	387,269	-	(34,350)	352,919	35,256
2012 Primary Clarifier Improvements, 2.80%	73,531	-	(5,794)	67,737	5,958
2012 Elberta Beach SSO Elimination, 2.48%	979,940	-	(67,770)	912,170	69,461
2015 River Pump Station, 2.78%	2,191,020	-	(114,839)	2,076,181	118,054
Total OWDA loans	3,631,760	-	(222,753)	3,409,007	228,729

(Continued)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

(Continued)

Business-type activities (continued):	Balance 1/1/2022	Additions	Reductions	Balance 12/31/2022	Amounts Due in One Year
Other long-term obligations:					
Financed Purchase - Water	63,448	-	(12,791)	50,657	13,171
Financed Purchase- Sewer	63,448	-	(12,791)	50,657	13,171
Compensated Absences	108,931	57,805	(36,723)	130,013	43,830
Net Pension Liability	1,257,139	-	(521,653)	735,486	-
Total other long-term obligations	1,492,966	57,805	(583,958)	966,813	70,172
Total business-type activities long-term obligations	$ 11,179,415	$ 4,402,138	$ (1,564,354)	$ 14,017,199	$ 1,186,901

On November 1, 2022, the City issued $11,320,000 in Various Purpose Improvement Bonds. This issuance included sewer bonds and general obligation bonds. The interest rate on these bonds are 4.0% - 5.5%.

On February 16, 2021, the City issued $597,000 in recreational facilities improvement bonds. These bonds were issued for the purpose of improving the City's park and recreational facilities. The interest rate on these bonds are 2.2%. These bonds were direct placement debt purchased by Huntington Public Capital Corporation and are to be paid from the proceeds of the levy of ad valorem taxes.

On May 27, 2021, the City issued $1,305,000 in storm water system improvement bonds. These bonds were issued for the purpose of improving the City's storm water management system. The interest rate on these bonds are 2.475%. These bonds were direct placement debt purchased by Sterling National Bank and are to be paid from the proceeds of the levy of ad valorem taxes.

During 2020, the City issued $3,745,000 in Various Purpose Refunding Bonds. This issuance included water refunding bonds, sewer refunding bonds, special assessment refunding bonds, and general obligation bonds. The interest rate on these bonds are 1.0% - 4.0%. The difference between the reacquisition price and the net carrying amount of the old debt will be amortized over the life of the new debt. The City refunded the old bonds to reduce their total debt service payments over the next ten years.

During 2020, the City issued $2,200,000 in series 2020 Water System Improvement Bonds for the purpose of paying costs of acquiring and installing metering system equipment and technological improvements for the Water and Sewer funds. The interest rate on these bonds are 2.0% - 5.0%. The final maturity is December 1, 2029.

During 2019, the City issued, at par, $1,206,000 Various Purpose Refunding Bonds with an interest rate of 2.26% to be used for the refunding of the 2009 Various Purpose Bonds. The proceeds of the new bonds, except those amounts used to cover the cost of issuance, were placed in an escrow account to repay $1,155,000 of old bonds were called for redemption on December 1, 2019. The difference between the reacquisition price and the net carrying amount of the old debt was not significant and expensed. The City refunded the old bonds to reduce their total debt service payments over the next ten years and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $84,135.

During 2019, the City issued $4,000,000 of Fire Station Improvement Bonds with an average interest rate of 3- 4% and maturing December 1, 2043. The bonds were sold for a premium of $48,064 and the proceeds are being used for the design and construction of a new Fire Station No. 1.

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

During 2019 through 2021, the City received interest-free loan proceeds from the Ohio Public Works Commission (OPWC). These loans are direct borrowing. The $137,500 loan for Hollyview Drive Reconstruction is scheduled to be paid back in equal installments over 20 years. The $70,692 Highbridge Road Reconstruction is scheduled to be repaid in installments over 20 years. The $137,500 Mapleview Drive Reconstruction is scheduled to be repaid in installments over 20 years. The OPWC may (1) charge an 8% default interest rate from the date of the default to the date of the payment and charge the City for all costs incurred by the OPWC in curing the default, (2) in accordance with Ohio Revised Code 164.05, direct the county treasurer of the county in which the City is located to pay the amount of the default from funds that would otherwise be appropriated to the City from such county's undivided local government fund pursuant to ORC 5747.51-5747.53, or (3) at its discretion, declare the entire principal amount of loan then remaining unpaid, together with all accrued interest and other charges, become immediately due and payable.

During 2018, the City issued $3,970,000 Various Purpose Bonds and Refunding Bonds with an average interest rate of 3-5% to current refund the 2004 Various Purpose General Obligation Bonds. Included in the $3,970,000 General Obligation Various Purpose Bonds and Refunding Bonds were $2,315,000 Street bonds, $375,000 Elberta Rd Drainage bonds, $115,000 Parking Lot bonds, $155,000 Lagoon bonds, $100,000 Highbridge Special assessment bonds, $550,000 Wastewater Treatment bonds, $60,000 Sewage System bonds, $65,000 Waterworks bonds and $235,000 in Water Plant bonds. As of December 31, 2018, all of the old bonds that were current refunded have been called. The outstanding obligations are to be paid from the general obligation debt service fund, the special assessment bond retirement fund, the water fund and the sewer fund.

The 2018 Various Purpose Refunding bonds were used to refund the $1,195,000 of the 2004 General Obligation bonds, which were called for December 19, 2018 to be redeemed. The bonds consisted of new bonds as well as refunding bonds. The bond proceeds for the refunding portion consisted of bond principal of $1,165,000 and $106,641 of premium. The new bond proceeds consisted of bond principal of $2,805,000 and $42,916 of premium. The net proceeds of $1,223,916 (after payment of underwriting fees, insurance, and other issuance costs) was deposited in an irrevocable trust with an escrow agent to provide for retirement of principal and interest due in December 2018. As a result, the bonds are considered to be defeased and the liability is not reported by the City. The difference between the reacquisition price and the net carrying amount of the old debt was not significant and expensed. The City refunded the old bonds to reduce their total debt service payments over the next seventeen years and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $46,274.

In 2019, the City entered into a financed purchase agreement for police vehicles. The City made the final payment on this agreement during 2022.

In 2019, the City entered into a financed purchase agreement for the purchase of a Vactor Combination Sewer Cleaner Vehicle. This liability is paid from the Water, Sewer and Refuse fund (a nonmajor governmental fund).

The 2011 OWDA loan carrying a 2.62% interest rate was issued for the wastewater treatment plant bio-solids dewatering facilities project. The first principal payment was made January 1, 2012. Current operations are expected to provide cash flows for the repayment of this loan.

The 2012 OWDA loan carrying a 2.80% interest rate was issued for the primary clarifier improvements project. The first principal payment was made January 1, 2013. Current operations are expected to provide cash flows for the repayment of this loan.

The 2012 OWDA loan carrying a 2.48% interest rate was issued for the Elberta Beach SSO elimination project. The first principal payment was made July 1, 2014. Current operations are expected to provide cash flows for the repayment of this loan.

The 2015 OWDA loan carrying a 2.78% interest rate was issued for the River Pump Station project. Current operations are expected to provide cash flows for the repayment of this loan.

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The OWDA loans are direct borrowings. In the event of default, the OWDA may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

Special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City.

The City pays installments on the police unfunded accrued pension liability incurred when the State of Ohio established the statewide pension system for police personnel in 1967. The liability is payable semiannually from taxes receipted in the police pension special revenue funds.

Compensated absences will be paid from the fund from which the employees' salaries are paid. The City pays net pension/OPEB liability obligations from the fund benefitting from employee services.

The enterprise related general obligation bonds, refunding bonds and OWDA loans will be paid from water and sewer fund user charges.

Leases Payable - The City has entered into lease agreements for the use of right to use equipment and vehicles. The City will report an intangible capital asset and corresponding liability for the future scheduled payments under the leases. The lease payments will be paid from the general fund.

The District has entered into lease agreements for copier equipment and vehicles at varying years and terms as follows:

Description	Lease Commencement Date	Years	Lease End Date	Payment Method
Copier Equipment	2022	6	2027	Monthly
Vehicles	2022	3	2024	Monthly

The principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2022, are as follows:

Governmental Activities

	General Obligation Bonds			Special Assessment Bonds		
Year	Principal	Interest	Total	Principal	Interest	Total
2023	$ 360,000	$ 621,202	$ 981,202	$ 96,000	$ 23,053	$ 119,053
2024	405,000	577,063	982,063	96,000	19,294	115,294
2025	580,000	559,224	1,139,224	85,000	15,532	100,532
2026	600,000	539,925	1,139,925	90,000	13,620	103,620
2027	630,000	520,024	1,150,024	85,000	11,656	96,656
2028 - 2032	3,565,000	2,265,119	5,830,119	390,000	24,672	414,672
2033 - 2037	2,780,000	1,664,030	4,444,030	-	-	-
2038 - 2042	2,640,000	1,076,155	3,716,155	-	-	-
2043 - 2047	1,815,000	559,823	2,374,823	-	-	-
2048 - 2052	1,535,000	181,703	1,716,703	-	-	-
	$ 14,910,000	$ 8,564,268	$ 23,474,268	$ 842,000	$ 107,827	$ 949,827

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

	OPWC Loan			Ohio Police and Fire Pension Liability		
Year	Principal	Interest	Total	Principal	Interest	Total
2023	$ 17,284	$ -	$ 17,284	$ 2,540	$ 1,703	$ 4,243
2024	17,285	-	17,285	2,649	1,594	4,243
2025	17,284	-	17,284	2,763	1,480	4,243
2026	17,285	-	17,285	2,882	1,361	4,243
2027	17,284	-	17,284	3,005	1,238	4,243
2028 - 2032	86,423	-	86,423	17,079	4,138	21,217
2033 - 2037	86,422	-	86,422	9,794	625	10,419
2038 - 2040	65,702	-	65,702	-	-	-
	$ 324,969	$ -	$ 324,969	$ 40,712	$ 12,139	$ 52,851

	Direct Placement Bonds			Financed Purchases - Notes Payable		
Year	Principal	Interest	Total	Principal	Interest	Total
2023	$ 88,000	$ 41,033	$ 129,033	$ 12,974	$ 1,480	$ 14,454
2024	90,000	38,944	128,944	36,759	1,046	37,805
2025	93,000	36,808	129,808	-	-	-
2026	95,000	34,601	129,601	-	-	-
2027	98,000	32,347	130,347	-	-	-
2028 - 2032	520,000	126,029	646,029	-	-	-
2033 - 2037	492,000	62,173	554,173	-	-	-
2038 - 2040	236,000	11,756	247,756	-	-	-
	$ 1,712,000	$ 383,691	$ 2,095,691	$ 49,733	$ 2,526	$ 52,259

	Leases Payable		
Year	Principal	Interest	Total
2023	$ 93,234	$ 19,179	$ 112,413
2024	102,236	10,178	112,414
2025	3,960	291	4,251
2026	4,084	166	4,250
2027	3,146	41	3,187
	$ 206,660	$ 29,855	$ 236,515

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Business-Type Activities

	General Obligation Bonds			Special Assessment Bonds		
Year	Principal	Interest	Total	Principal	Interest	Total
2023	$ 669,335	$ 343,719	$ 1,013,054	$ 218,665	$ 30,472	$ 249,137
2024	721,150	296,506	1,017,656	224,850	21,840	246,690
2025	560,150	263,889	824,039	199,850	12,924	212,774
2026	553,500	246,193	799,693	180,500	9,657	190,157
2027	570,000	231,885	801,885	182,000	7,405	189,405
2028 - 2032	1,482,500	954,199	2,436,699	379,500	7,838	387,338
2033 - 2037	575,000	779,560	1,354,560	-	-	-
2038 - 2042	735,000	611,388	1,346,388	-	-	-
2043 - 2047	950,000	382,464	1,332,464	-	-	-
2048 - 2052	1,210,000	152,394	1,362,394	-	-	-
	$ 8,026,635	$ 4,262,197	$ 12,288,832	$ 1,385,365	$ 90,136	$ 1,475,501

	OWDA Loans			Financed Purchases - Notes Payable		
Year	Principal	Interest	Total	Principal	Interest	Total
2023	$ 228,729	$ 89,969	$ 318,698	$ 26,342	$ 3,004	$ 29,346
2024	234,865	83,832	318,697	74,972	2,190	77,162
2025	241,165	77,532	318,697	-	-	-
2026	247,634	71,063	318,697	-	-	-
2027	254,280	64,418	318,698	-	-	-
2028 - 2032	1,332,928	216,289	1,549,217	-	-	-
2033 - 2037	869,406	55,381	924,787	-	-	-
	$ 3,409,007	$ 658,484	$ 4,067,491	$ 101,314	$ 5,194	$ 106,508

NOTE 11- DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Asset and Net OPEB Liability/Asset

The net pension liability/asset and the net OPEB liability/asset reported on the statement of net position represents a liability or asset to employees for pensions and OPEB, respectively.

Pensions and OPEB are a component 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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability/asset 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/OPEB plan's fiduciary net position. The net pension/OPEB liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost-of-living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability/asset on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual basis 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)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Report referenced above for additional information, including requirements for reduced and unreduced benefits):

after January 7, 2013	ten years after January 7, 2013	January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula:	**Traditional Plan Formula:**	**Traditional Plan Formula:**
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula:	**Combined Plan Formula:**	**Combined Plan Formula:**
1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	1% of FAS multiplied by years of service for the first 35 years and 1.25% 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 initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides 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 subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

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. 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), 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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

* This rate is determined by OPERS' Board and has no maximum rate es

** This employer health care rate is for the traditional and combined plai
contribution for the member-directed plan is 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was $471,086 for 2022. Of this amount, $44,300 is reported as due to other governments.

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

Plan Description - City 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 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 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 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.00% of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.00% or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $264,958 for 2022. Of this amount, $39,291 is reported as due to other governments.

In addition to current contributions, the City pays installments on a specific liability of 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 $43,147 payable in semi-annual payments through the year 2035.

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	OPERS - Traditional	OPERS - Combined	OPERS - Member-Directed	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.02156800%	0.01033400%	0.00056300%	0.04809490%	
Proportion of the net pension liability/asset current measurement date	0.02178800%	0.01745500%	0.00051300%	0.04729280%	
Change in proportionate share	0.00022000%	0.00712100%	-0.00005000%	-0.00080210%	
Proportionate share of the net pension liability	$ 1,895,644	$ -	$ -	$ 2,954,581	$ 4,850,225
Proportionate share of the net pension asset	-	(68,774)	(93)	-	(68,867)
Pension expense	(369,521)	(2,482)	(15)	144,919	(227,099)

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

	OPERS - Traditional	OPERS - Combined	Member-Directed	OP&F	Total
Deferred outflows of resources					
Differences between expected and actual experience	$ 96,637	$ 426	$ 91	$ 85,197	$ 182,351
Net difference between projected and actual earnings on pension plan investments	-	-	-	-	-
Changes of assumptions	237,048	3,458	6	539,973	780,485
Changes in employer's proportionate percentage/ difference between employer contributions	23,748	-	-	20,559	44,307
Contributions subsequent to the measurement date	461,869	7,989	1,228	264,958	736,044
Total deferred outflows of resources	$ 819,302	$ 11,873	$ 1,325	$ 910,687	$ 1,743,187

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

	OPERS - Traditional	OPERS - Combined	OPERS - Member-Directed	OP&F	Total
Deferred inflows of resources					
Differences between expected and actual experience	$ 41,577	$ 7,691	$ -	$ 153,599	$ 202,867
Net difference between projected and actual earnings on pension plan investments	2,254,800	14,748	21	774,646	3,044,215
Changes of assumptions	-	-	-	-	-
Changes in employer's proportionate percentage/ difference between employer contributions	29,554	-	-	160,687	190,241
Total deferred inflows of resources	$ 2,325,931	$ 22,439	$ 21	$ 1,088,932	$ 3,437,323

$736,044 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/increase to the net pension liability/asset in the year ending December 31, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS - Traditional	OPERS - Combined	OPERS - Member-Directed	OP&F	Total
Year Ending December 31:					
2023	$ (305,883)	$ (4,552)	$ 7	$ (42,295)	$ (352,723)
2024	(773,732)	(6,247)	4	(257,282)	(1,037,257)
2025	(530,194)	(4,101)	7	(112,193)	(646,481)
2026	(358,688)	(3,024)	10	(84,653)	(446,355)
2027	(1)	(400)	10	53,220	52,829
Thereafter	-	(261)	38	(1)	(224)
Total	$ (1,968,498)	$ (18,585)	$ 76	$ (443,204)	$ (2,430,211)

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 actuarial assumptions applied to all 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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Wage inflation	
Current measurement date	2.75%
Prior measurement date	3.25%
Future salary increases, including inflation	
Current measurement date	2.75% to 10.75% including wage inflation
Prior measurement date	3.25% to 10.75% including wage inflation
COLA or ad hoc COLA	
Current measurement date	Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2022, then 2.05% simple
Prior measurement date	Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 0.50%, simple through 2021, then 2.15% simple
Investment rate of return	
Current measurement date	6.90%
Prior measurement date	7.20%
Actuarial cost method	Individual entry age

In July 2021, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 0.50% simple through 2021 then 2.15% simple to 3.00% simple through 2022 then 2.05% simple.

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

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

During 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 a gain of 15.3% for 2021.

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 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/asset was 6.90%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2021 was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	$ 4,997,949	$ 1,895,644	$ (685,886)
Combined Plan	(51,318)	(68,774)	(82,388)
Member-Directed Plan	(82)	(93)	(103)

Actuarial Assumptions - OP&F

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2022, are presented below.

Valuation date	1/1/21 with actuarial liabilities rolled forward to 12/31/21
Actuarial cost method	Entry age normal (level percent of payroll)
Investment rate of return	
Current measurement date	7.50%
Prior measurement date	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25% per annum, compounded annually, consisting of inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of living adjustments	2.20% per year simple

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

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

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

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

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

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and cash equivalents	0.00 %	0.00 %
Domestic equity	21.00	3.60
Non-US equity	14.00	4.40
Private markets	8.00	6.80
Core fixed income *	23.00	1.10
High yield fixed income	7.00	3.00
Private credit	5.00	4.50
U.S. inflation linked bonds *	17.00	0.80
Midstream energy infrastructure	5.00	5.00
Real assets	8.00	5.90
Gold	5.00	2.40
Private real estate	12.00	4.80
Total	125.00 %	

Note: assumptions are geometric.
* levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the 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%. A discount rate of 8.00% was used in the previous measurement date. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, 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%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability	$ 4,381,302	$ 2,954,581	$ 1,766,224

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement 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.

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

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health 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, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. 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 will 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.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. 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 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $491 for 2022. Of this amount, $46 is reported as due to other governments.

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.

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

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.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 19.50% and 24.00% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% 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 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was $6,973 for 2022. Of this amount, $1,034 is reported as due to other governments.

Net OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

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

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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	OPERS	OP&F	Total
Proportion of the net OPEB liability/asset prior measurement date	0.02041000%	0.04809490%	
Proportion of the net OPEB liability/asset current measurement date	0.02080800%	0.04729280%	
Change in proportionate share	0.00039800%	-0.00080210%	
Proportionate share of the net OPEB liability	$ -	$ 518,370	$ 518,370
Proportionate share of the net OPEB asset	(651,738)	-	(651,738)
OPEB expense	(481,684)	65,846	(415,838)

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	$ -	$ 23,582	$ 23,582
Net difference between projected and actual earnings on OPEB plan investments	-	-	-
Changes of assumptions	-	229,447	229,447
Changes in employer's proportionate percentage/ difference between employer contributions	7,498	161,808	169,306
Contributions subsequent to the measurement date	491	6,973	7,464
Total deferred outflows of resources	$ 7,989	$ 421,810	$ 429,799

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

	OPERS	OP&F	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ 98,858	$ 68,508	$ 167,366
Net difference between projected and actual earnings on OPEB plan investments	310,703	46,830	357,533
Changes of assumptions	263,816	60,206	324,022
Changes in employer's proportionate percentage/ difference between employer contributions	14,086	24,104	38,190
Total deferred inflows of resources	$ 687,463	$ 199,648	$ 887,111

$7,464 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/increase to the net OPEB liability/asset in the year ending December 31, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2023	$ (424,257)	$ 46,645	$ (377,612)
2024	(143,199)	39,696	(103,503)
2025	(67,887)	40,533	(27,354)
2026	(44,622)	26,231	(18,391)
2027	-	33,233	33,233
Thereafter	-	28,851	28,851
Total	$ (679,965)	$ 215,189	$ (464,776)

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. The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	
Current measurement date	2.75%
Prior Measurement date	3.25%
Projected Salary Increases, including inflation	
Current measurement date	2.75 to 10.75% including wage inflation
Prior Measurement date	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	6.00%
Prior Measurement date	6.00%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.00%
Municipal Bond Rate	
Current measurement date	1.84%
Prior Measurement date	2.00%
Health Care Cost Trend Rate	
Current measurement date	5.50% initial, 3.50% ultimate in 2034
Prior Measurement date	8.50% initial, 3.50% ultimate in 2035
Actuarial Cost Method	Individual Entry Age Normal

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

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

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

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB asset	$ 383,283	$ 651,738	$ 874,560

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

***Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate* -** Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

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

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB asset	$ 658,781	$ 651,738	$ 643,383

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.

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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 (Level Percent of Payroll)
Investment Rate of Return	
Current measurement date	7.50%
Prior measurement date	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Single discount rate:	
Current measurement date	2.84%
Prior measurement date	2.96%
Cost of Living Adjustments	2.20% simple per year

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

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

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

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

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

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2020, are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and cash equivalents	0.00 %	0.00 %
Domestic equity	21.00	3.60
Non-US equity	14.00	4.40
Private markets	8.00	6.80
Core fixed income *	23.00	1.10
High yield fixed income	7.00	3.00
Private credit	5.00	4.50
U.S. inflation linked bonds *	17.00	0.80
Midstream energy infrastructure	5.00	5.00
Real assets	8.00	5.90
Gold	5.00	2.40
Private real estate	12.00	4.80
Total	125.00 %	

Note: assumptions are geometric.
* levered 2x

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

Discount Rate - For 2021, the total OPEB liability was calculated using the discount rate of 2.84%. For 2020, the total OPEB liability was calculated using the discount rate of 2.96%. The projection of cash flows used to determine the discount rate assumed the 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 7.50%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, a municipal bond rate of 2.05% at December 31, 2021 and 2.12% at December 31, 2020 was blended with the long-term rate of 7.50%, which resulted in a blended discount rate of 2.84%.

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%, 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%), or one percentage point higher (3.84%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	$ 651,602	$ 518,370	$ 408,852

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

NOTE 13 - RISK MANAGEMENT

The City of Vermilion is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The City purchases commercial insurance coverage for protection against this risk exposure.

Settled claims have not exceeded commercial coverage in any of the past three years. Also, the City did not reduce its limits of liability during 2022.

All employees of the City are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

Workers' compensation coverage is provided by the State. 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.

NOTE 14 – INTERFUND ACTIVITY

A. Interfund Transfers

Interfund transfers for the year ended December 31, 2022, consisted of the following, as reported in the fund financial statements:

Transfers from the general fund to:	Amount
Nonmajor governmental funds	$ 226,662

Transfers from the general fund were used to move unrestricted revenues collected in order to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

B. Interfund Loans

Interfund loans for the year ended December 31, 2022, consisted of the following, as reported in the fund financial statements:

Interfund loans from the general fund to:	Amount
Nonmajor governmental funds	$ 25,000
FEMA Fire Grant	620,216
Water Enterprise Fund	33,650
Total	$ 678,866

Interfund loans from the general fund were used to fund various projects before the receipt of grants or other sources of revenue. These loans are expected to be repaid within one year.

Interfund loans between governmental funds are eliminated on the government-wide financial statements.

C. Advances To/From Other Funds

In prior years, the general fund advanced $20,000 to the water fund to fund the various capital projects and administration support before the receipts of grants or other sources of revenue. The outstanding advance is $20,000 and is not expected to be repaid within one year.

NOTE 15 – COMMITMENTS

Other 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	Year-End Encumbrances
General Fund	$ 496,495
Road Improvement Levy	328,700
FEMA Fire Grant	602,011
VPD Construction Fund	362,550
Nonmajor governmental	545,096
Total	$ 2,334,852

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NOTE 16 – FUND BALANCE

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

Fund balance	General	Road Improvement Levy	FEMA Fire Grant	VPD Station Construction	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Materials and supplies inventory	$ -	$ -	$ -	$ -	$ 13,338	$ 13,338
Prepaids	87,704	-	-	-	788	88,492
Unclaimed funds	22,711	-	-	-	-	22,711
Total nonspendable	110,415	-	-	-	14,126	124,541
Restricted:						
Street construction and maintenance	-	2,308,100	-	-	678,530	2,986,630
Court activities	-	-	-	-	472,760	472,760
Public safety	-	-	-	-	2,214,043	2,214,043
Public health	-	-	-	-	51,530	51,530
Recreation	-	-	-	-	392,997	392,997
Recycling	-	-	-	-	3,130,781	3,130,781
Capital improvements	-	-	-	3,994,066	7,354,322	11,348,388
Cemetery operations	-	-			61,947	61,947
Other purposes	-	-	-	-	47,596	47,596
Total restricted	-	2,308,100	-	3,994,066	14,404,506	20,706,672
Committed:						
Employee retirement	320,234	-	-	-	-	320,234
Contractor deposits	25,483	-	-	-	-	25,483
Cemetery operations	-	-	-	-	79,150	79,150
Recreation	113	-	-	-	2,466	2,579
Storm water	-	-	-	-	924,100	924,100
Sanitation	-	-	-	-	665,607	665,607
Total committed	345,830	-	-	-	1,671,323	2,017,153
Assigned:						
Public safety	38,396	-	-	-	-	38,396
General government	219,653	-	-	-	-	219,653
Other purposes	884	-	-	-	-	884
Capital projects	216,326	-	-	-	-	216,326
Total assigned	475,259	-	-	-	-	475,259
Unassigned	4,470,238	-	(17,955)	-	-	4,452,283
Total fund balances	$ 5,401,742	$ 2,308,100	$ (17,955)	$ 3,994,066	$ 16,089,955	$ 27,775,908

NOTE 17 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous 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 any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2022.

NOTE 17 - CONTINGENCIES - (Continued)

B. Litigation

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

NOTE 18 – TAX ABATEMENTS

The City was part of multiple Enterprise Zone (EZ) tax abatement agreements with local businesses. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investments. The Enterprise Zone Program provides tax exemptions for a portion of the value of new real property when the investment is made in conjunction with a project that includes job creation or job retention. These tax abatements reduce assessed value by a percentage agreed upon by all parties that authorize these type of agreements. Taxes can be abated up to 100% for up to 12 years.

The City had two parcels of land that received tax abatement through the Enterprise Zone Program. The total abated value of property for 2022 was $491,820.

NOTE 19 – CITY OF VERMILION PORT AUTHORITY

A. Description of the Entity

The City of Vermilion Port Authority (the "Port Authority") is a body politic and corporate established to promote, develop and advance the general welfare, commerce, and economic development of the City and its citizens, and to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority is directed by a five-member Board appointed by the Mayor of Vermilion. The Port Authority is a component unit of the City due to it being economically dependent on the City for operating subsidies. The Port Authority's management believes these financial statements present all activities for which the Port Authority is financially accountable. The Port Authority was formed by an ordinance of the Council of the City of Vermilion in February 1968 and the City acts as their fiscal agent.

B. Basis of Accounting

The Port Authority follows the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The measurement focus is on determination of net income and financial position. All transactions are accounted for in a single enterprise fund.

C. Fund Accounting

The Port Authority maintains a general operating fund to account for all financial resources. This fund is used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

D. Budgetary Process

Budget - Ohio Revised Code Section 4582.13, requires that each fund be budgeted annually. This budget includes estimated receipts and appropriations.

Encumbrances - The Port Authority reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year end are carried over and are not reappropriated.

NOTE 19 – CITY OF VERMILION PORT AUTHORITY – (Continued)

E. Property, Plant and Equipment

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values on the date received. The Port Authority does not have a minimum capitalization threshold. 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 expensed.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciated is computed using the straight-line method over the following useful lives:

	Estimated Lives
Land Improvements	5 - 50 Years
Buildings	20 - 50 Years
Vehicles	5 - 25 Years
Equipment	5 - 15 Years

F. Deposits and Investments

The investment and deposit of Port Authority moneys are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Port Authority to invest its moneys in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool (STAR Ohio), and obligations of the United States government and certain agencies thereof.

The Port Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer who is a member of the National Association of Securities Dealers for a period not exceeding thirty days. Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 105% of the total value of public moneys on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Port Authority's name.

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned. For 2022, all of the Port Authority's deposits were held by the City and part of their pooled cash and investments. All risks of the Port Authority's deposits are disclosed as part of the City's disclosure as the City is their fiscal agent.

NOTE 19 – CITY OF VERMILION PORT AUTHORITY – (Continued)

G. Capital Assets

As of December 31, 2022, the Port Authority owned land valued at $1,059,388 In addition, depreciable capital assets are being reported as $711,173 net of accumulated depreciation at year-end. Depreciation expense of $33,962 was reported for 2022 with a total accumulated depreciation of $791,597.

The capital asset activity for the year ended December 31, 2022 was as follows:

	Balance at December 31, 2021	Additions	Disposals	Balance at December 31, 2022
Capital assets, not being depreciated:				
Land	$ 1,059,388	$ -	$ -	$ 1,059,388
Total capital assets, not being depreciated	1,059,388	-	-	1,059,388
Capital assets, being depreciated:				
Land improvements	1,341,123	-	-	1,341,123
Buildings	116,698	-	-	116,698
Equipment	44,949	-	-	44,949
Total capital assets, being depreciated	1,502,770	-	-	1,502,770
Less: accumulated depreciation				
Land improvements	(655,156)	(30,736)	-	(685,892)
Buildings	(60,399)	(2,837)	-	(63,236)
Equipment	(42,080)	(389)	-	(42,469)
Total accumulated depreciation	(757,635)	(33,962)	-	(791,597)
Total capital assets being depreciated, net	745,135	(33,962)	-	711,173
Total capital assets, net	$ 1,804,523	$ (33,962)	$ -	$ 1,770,561

H. Long-term Obligations

During 2000 and 2010, the Port Authority borrowed from the City with a collateralized bond. This $882,527 bond is carrying an interest rate of 5.50% and $14,563 is due within one year. This bond was used in the financing of acquiring, constructing, installing, equipping or improving "Port Authority facilities," as defined by Section 4582.01 of the Ohio Revised Code. This bond is a special obligation of the Port Authority, and the principal and interest on this bond are payable solely from "Available Monies" and are secured by a pledge of the "Pledged Revenues", all as defined and provided in the Resolution.

The long-term debt activity for the year ended December 31, 2022 was as follows:

	Balance at December 31, 2021	Additions	Deletions	Balance at December 31, 2022	Amount Due in One Year
Note Payable Due to City	$ 897,091	$ -	$ (14,564)	$ 882,527	$ 15,831

NOTE 19 – CITY OF VERMILION PORT AUTHORITY – (Continued)

The following is a summary of the Port Authority's future annual debt service requirements to the City:

Year Ended	Principal	Interest	Total
2022	$ 15,831	$ 17,654	$ 33,485
2023	17,152	17,338	34,490
2024	18,530	16,995	35,525
2025	19,966	16,624	36,590
2026	21,463	16,225	37,688
2027 - 2031	132,054	74,040	206,094
2032 - 2036	179,922	58,996	238,918
2037 - 2040	477,609	20,861	498,470
Total	$ 882,527	$ 238,733	$ 1,121,260

I. Related Party Transactions

As mentioned above, during 2000 and 2010, the Port Authority borrowed $985,000 and $71,538, respectively, from the City to acquire land and existing structures. The Port Authority provided a bond for this transaction and the City holds a lien on the property until the bond is repaid. The City holds this bond as an investment within the City's pooled investments. The bond has been partially repaid, leaving a balance of $882,527 outstanding as of December 31, 2022.

J. Lease Receivables

The Port Authority is reporting leases receivable of $96,466. For fiscal year 2022, the Port Authority recognized lease revenue of $31,974, which is reported in rental income, and interest revenue of $6,614.

The Port Authority has entered into an amended lease agreement for building space rental with Vermilion Red Clay LLC on May 13, 2009, and exercised an extension of the lease and sublease agreement through 2025.

The following is a schedule of future lease payments under the lease agreements:

Fiscal Year	Principal	Interest	Total
2023	$ 29,555	$ 4,935	$ 34,490
2024	32,101	3,423	35,524
2025	34,809	1,781	36,590
Total	$ 96,465	$ 10,139	$ 106,604

K. Risk Management

The Port Authority has obtained commercial crime and public officials' liability insurance from a major commercial insurance company. There has not been a significant reduction of coverage from the prior year and settled claims have not exceeded commercial coverage in any of the last three years.

L. Litigation

The Port Authority is involved in no material litigation as either plaintiff or defendant.

CITY OF VERMILION, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST NINE YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	2022	**2021**	**2020**	**2019**
Traditional Plan:				
City's proportion of the net pension liability	0.021788%	0.021568%	0.021864%	0.022518%
City's proportionate share of the net pension liability	$ 1,895,644	$ 3,193,751	$ 4,321,568	$ 6,167,224
City's covered payroll	$ 3,021,079	$ 3,104,386	$ 3,076,271	$ 3,089,807
City's proportionate share of the net pension liability as a percentage of its covered payroll	62.75%	102.88%	140.48%	199.60%
Plan fiduciary net position as a percentage of the total pension liability	92.62%	86.88%	82.17%	74.70%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2018	2017	2016	2015	2014
0.022247%	0.023019%	0.022662%	0.020771%	0.020771%
$ 3,490,123	$ 5,227,223	$ 3,925,344	$ 2,505,215	$ 2,448,630
$ 2,954,577	$ 2,926,733	$ 2,860,067	$ 2,561,875	$ 2,493,038
118.13%	178.60%	137.25%	97.79%	98.22%
84.66%	77.25%	81.08%	86.45%	86.36%

CITY OF VERMILION, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST NINE YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	2022	**2021**	**2020**	**2019**
City's proportion of the net pension liability	0.04729280%	0.04809490%	0.04917470%	0.04976600%
City's proportionate share of the net pension liability	$ 2,954,581	$ 3,278,672	$ 3,312,670	$ 4,062,221
City's covered payroll	$ 1,366,684	$ 999,042	$ 1,298,221	$ 1,283,868
City's proportionate share of the net pension liability as a percentage of its covered payroll	216.19%	328.18%	255.17%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	75.03%	70.65%	69.89%	63.07%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2018	2017	2016	2015	2014
	0.05065000%	0.04884500%	0.05066800%	0.05018400%	0.05018400%
	$ 3,108,631	$ 3,093,797	$ 3,259,538	$ 2,599,720	$ 2,444,099
	$ 1,365,874	$ 1,041,774	$ 1,083,942	$ 1,106,389	$ 1,104,520
	227.59%	296.97%	300.71%	234.97%	221.28%
	70.91%	68.36%	66.77%	71.71%	72.53%

CITY OF VERMILION, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	2022	2021	2020	2019
Traditional Plan:				
Contractually required contribution	$ 461,869	$ 422,951	$ 434,614	$ 430,678
Contributions in relation to the contractually required contribution	(461,869)	(422,951)	(434,614)	(430,678)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 3,299,064	$ 3,021,079	$ 3,104,386	$ 3,076,271
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2018		2017		2016		2015		2014		2013	
$	432,573	$	384,095	$	351,208	$	343,208	$	307,425	$	324,095
	(432,573)		(384,095)		(351,208)		(343,208)		(307,425)		(324,095)
$	-	$	-	$	-	$	-	$	-	$	-
$	3,089,807	$	2,954,577	$	2,926,733	$	2,860,067	$	2,561,875	$	2,493,038
	14.00%		13.00%		12.00%		12.00%		12.00%		13.00%

CITY OF VERMILION, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	2022	2021	2020	2019
Contractually required contribution	$ 264,958	$ 259,670	$ 189,818	$ 246,662
Contributions in relation to the contractually required contribution	(264,958)	(259,670)	(189,818)	(246,662)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 1,394,516	$ 1,366,684	$ 999,042	$ 1,298,221
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
$ 243,935	$ 259,516	$ 197,937	$ 205,949	$ 210,214	$ 173,741
(243,935)	(259,516)	(197,937)	(205,949)	(210,214)	(173,741)
$ -	$ -	$ -	$ -	$ -	$ -
$ 1,283,868	$ 1,365,874	$ 1,041,774	$ 1,083,942	$ 1,106,389	$ 1,104,520
19.00%	19.00%	19.00%	19.00%	19.00%	15.73%

CITY OF VERMILION, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY/NET OPEB ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST SIX YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	2022	2021	2020	2019
City's proportion of the net OPEB liability/asset	0.020808%	0.020410%	0.020684%	0.021537%
City's proportionate share of the net OPEB liability/(asset)	$ (651,738)	$ (363,620)	$ 2,856,998	$ 2,807,916
City's covered payroll	$ 3,021,079	$ 3,104,386	$ 3,076,271	$ 3,089,807
City's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	21.57%	11.71%	92.87%	90.88%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	128.23%	115.57%	47.80%	46.33%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2018	2017
	0.021112%	0.021983%
	$ 2,292,608	$ 2,220,358
	$ 2,954,577	$ 2,926,733
	77.60%	75.86%
	54.14%	54.05%

CITY OF VERMILION, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST SIX YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	2022	2021	2020	2019
City's proportion of the net OPEB liability	0.04729280%	0.04809490%	0.04917470%	0.04976600%
City's proportionate share of the net OPEB liability	$ 518,370	$ 509,573	$ 485,734	$ 453,196
City's covered payroll	$ 1,366,684	$ 999,042	$ 1,298,221	$ 1,283,868
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	37.93%	51.01%	37.42%	35.30%
Plan fiduciary net position as a percentage of the total OPEB liability	46.86%	45.42%	47.08%	46.57%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2018	2017
0.05065000%	0.04884500%
$ 2,869,775	$ 2,318,560
$ 1,365,874	$ 1,041,774
210.11%	222.56%
14.13%	15.96%

CITY OF VERMILION, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	2022	2021	2020	2019
Contractually required contribution	$ 491	$ 129	$ 135	$ -
Contributions in relation to the contractually required contribution	(491)	(129)	(135)	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 3,299,064	$ 3,021,079	$ 3,104,386	$ 3,076,271
Contributions as a percentage of covered payroll	0.01%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2018		2017		2016		2015		2014		2013	
$	-	$	30,149	$	60,974	$	58,970	$	52,779	$	25,701
	-		(30,149)		(60,974)		(58,970)		(52,779)		(25,701)
$	-	$	-	$	-	$	-	$	-	$	-
$	3,089,807	$	2,954,577	$	2,926,733	$	2,860,067	$	2,561,875	$	2,493,038
	0.00%		1.00%		2.00%		2.00%		2.00%		1.00%

CITY OF VERMILION, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	2022	2021	2020	2019
Contractually required contribution	$ 6,973	$ 6,833	$ 4,995	$ 8,858
Contributions in relation to the contractually required contribution	(6,973)	(6,833)	(4,995)	(8,858)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 1,394,516	$ 1,366,684	$ 999,042	$ 1,298,221
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2018		2017		2016		2015		2014		2013	
$	6,419	$	6,829	$	5,209	$	5,420	$	5,532	$	41,641
	(6,419)		(6,829)		(5,209)		(5,420)		(5,532)		(41,641)
$	-	$	-	$	-	$	-	$	-	$	-
$	1,283,868	$	1,365,874	$	1,041,774	$	1,083,942	$	1,106,389	$	1,104,520
	0.50%		0.50%		0.50%		0.50%		0.50%		3.77%

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2014.
- There were no changes in benefit terms from the amounts reported for 2015.
- There were no changes in benefit terms from the amounts reported for 2016.
- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- There were no changes in benefit terms from the amounts reported for 2019.
- There were no changes in benefit terms from the amounts reported for 2020.
- There were no changes in benefit terms from the amounts reported for 2021.
- There were no changes in benefit terms from the amounts reported for 2022.

Changes in assumptions :

- There were no changes in assumptions for 2014.
- There were no changes in assumptions for 2015.
- There were no changes in assumptions for 2016.
- For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.
- There were no changes in assumptions for 2018.
- For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%.
- There were no changes in assumptions for 2020.
- There were no changes in assumptions for 2021.
- For 2022, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) wage inflation was changed from 3.25% to 2.75%, (b) future salary increases, including inflation were changed from 3.25%-10.75% to 2.75%-10.75%, (c) COLA for post 1/7/2013 retirees were changed from 0.50%, simple through 2021, then 2.15% simple to 3.00%, simple through 2022, then 2.05% simple and (d) the actuarially assumed rate of return was changed from 7.20% to 6.90%.

(Continued)

PENSION

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2014.
- There were no changes in benefit terms from the amounts reported for 2015.
- There were no changes in benefit terms from the amounts reported for 2016.
- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- There were no changes in benefit terms from the amounts reported for 2019.
- There were no changes in benefit terms from the amounts reported for 2020.
- There were no changes in benefit terms from the amounts reported for 2021.
- There were no changes in benefit terms from the amounts reported for 2022.

Changes in assumptions :

- There were no changes in assumptions for 2014.
- There were no changes in assumptions for 2015.
- There were no changes in assumptions for 2016.
- There were no changes in assumptions for 2017.
- For 2018, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.25% down to 8.00%, (b) changing the future salary increases from a range of 4.25%-11.00% to 3.75%-10.50%, (c) reduction in payroll increases from 3.75% down to 3.25%, (d) reduction in inflation assumptions from 3.25% down to 2.75% and (e) Cost of Living Adjustments (COLA) were reduced from 2.60% and 3.00% simple to 2.20% and 3.00% simple.
- There were no changes in assumptions for 2019.
- There were no changes in assumptions for 2020.
- There were no changes in assumptions for 2021.
- For 2022, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the actuarially assumed rate of return was changed from 8.00% to 7.50%.

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- There were no changes in benefit terms from the amounts reported for 2019.
- There were no changes in benefit terms from the amounts reported for 2020.
- For 2021, the following were the most significant changes in benefit terms since the prior measurement date: the Board approved several changes to the health care plan offered to Medicare and non-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 non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.
- There were no changes in benefit terms from the amounts reported for 2022.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017.
- For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%.
- For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25% ultimate in 2029.
- For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.96% up to 3.16%, (b) the municipal bond rate was decreased from 3.71% up to 2.75% and (c) the health care cost trend rate was increased from 10.00%, initial/3.25%, ultimate in 2029 up to 10.50%, initial/3.50% ultimate in 2030.
- For 2021, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.16% up to 6.00%, (b) the municipal bond rate was decreased from 2.75% up to 2.00% and (c) the health care cost trend rate was decreased from 10.00%, initial/3.50%, ultimate in 2030 down to 8.50%, initial/3.50% ultimate in 2035.
- For 2022, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) wage inflation changed from 3.25% to 2.75%, (b) projected salary increases, including inflation changed from 3.25%-10.75% to 2.75%-10.75%, (c) the municipal bond rate was changed from 2.00% to 1.84% and (d) the health care cost trend rate was changed from 8.50% initial, 3.50% ultimate in 2035 to 5.50% initial, 3.50% ultimate in 2034.

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- For 2019, OP&F changed its retiree health care model from a self-insured health care plan to a stipend-based health care model.
- There were no changes in benefit terms from the amounts reported for 2020.
- There were no changes in benefit terms from the amounts reported for 2021.
- There were no changes in benefit terms from the amounts reported for 2022.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017.
- For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) DROP interest rate was reduced from 4.50% to 4.00%, (b) CPI-based COLA was reduced from 2.60% to 2.20%, (c) investment rate of return was reduced from 8.25% to 8.00%, (d) salary increases were reduced from 3.75% to 3.25% and (e) payroll growth was reduced from 3.75% to 3.25%.
- For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.24% up to 4.66%.
- For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 4.66% up to 3.56%.
- For 2021, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.56% down to 2.96%.
- For 2022, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the investment rate of return was changed from 8.00% to 7.50% and (b) the discount rate was changed from 2.96% to 2.84%.