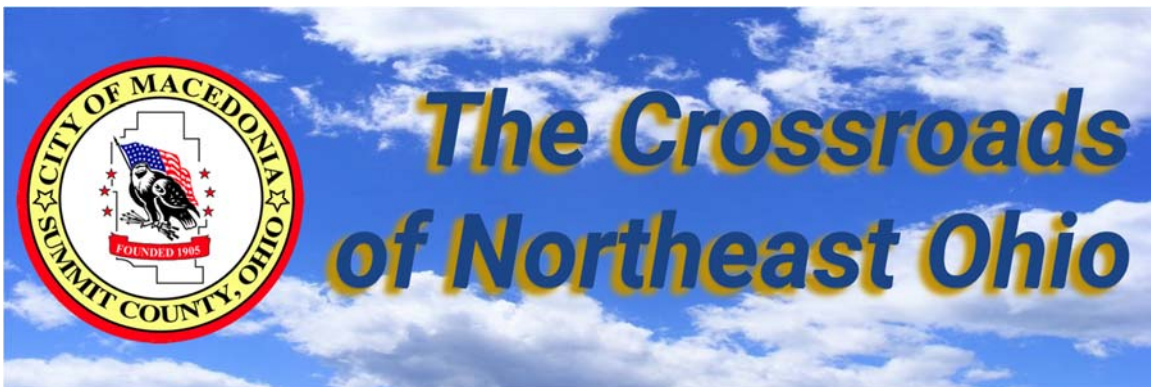


CITY OF MACEDONIA

SUMMIT COUNTY



REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2021

PLATTENBURG
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Members of City Council
City of Macedonia
9691 Valley View Road
Macedonia, Ohio 44056

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

The Auditor of State is currently conducting an investigation related to the City. As of the date of this report, the investigation is ongoing. Depending on the outcome, the results of the investigation may be reported at a later date.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

September 21, 2022

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**CITY OF MACEDONIA
SUMMIT COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

City of Macedonia
Summit County
9691 Valley View Road
Macedonia, Ohio 44056

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2022, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Plattensburg & Associates, Inc.

Plattensburg & Associates, Inc.
Cincinnati, Ohio
August 12, 2022

**City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)**

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

Financial Highlights

Key financial highlights for 2021 are:

- City income tax revenue totaled \$14,842,946. This is an increase of \$2,199,704 or 17.4% from 2020. The City had a 2.50% municipal income tax rate throughout the year.
- Total assets increased by \$4,206,860, a 5.3% increase from 2020.
- Total net position increased by \$7,965,207, a 21.3% increase from 2020.
- Total capital assets, net of depreciation decreased \$614,099, a 1.0% decrease from 2020.
- Total outstanding long-term liabilities decreased \$5,286,127, a 13.4% decrease from 2020.
- The total governmental fund balances for the City increased from \$12,441,927 to \$17,712,576.
- The general fund ended the year with an accrual fund balance of \$8,949,058.

Using This Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the City of Macedonia as a financial whole or as an entire operating entity. The statements provide an increasingly detailed look at our specific financial condition.

The *statement of net position* and *statement of activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Major 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 dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Reporting the City of Macedonia as a Whole

Statement of Net Position and Statement of Activities

This document contains information about the funds used by the City to provide services to our citizens. The *statement of net position* and the *statement of activities* answer the question, "How did the City do financially during 2021?" These statements include all assets and liabilities and deferred outflows of resources and deferred inflows of resources, except fiduciary funds, using the accrual basis of accounting similar to the accounting method used by the private sector. The basis of this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

**City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)**

These two statements report the City's net position and the changes in net position. The changes in net position are important because it tells the reader whether the financial position of the City as a whole has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

The *statement of net position* and the *statement of activities* are divided into the following categories:

- Assets
- Deferred Outflows of Resources
- Liabilities
- Deferred Inflows of Resources
- Net Position (Assets plus Deferred Outflows of Resources minus Liabilities and Deferred Inflows of Resources)
- Program Revenue and Expenses
- General Revenues
- Net Position Beginning of Year and Year's End

Reporting the City of Macedonia's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds to account for the services, facilities and infrastructure provided to its residents. These fund financial statements focus on the City's most significant funds. In the case of the City of Macedonia, the only major fund is the general fund.

Governmental Funds

Most of the City's activities are reported in the governmental funds. Governmental funds are reported using an accounting method called modified accrual accounting. The modified accrual accounting method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Government fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the *statement of net position* and the *statement of activities*) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

The City uses fiduciary funds to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

**City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)**

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. These notes to the basic financial statements can be found on pages later in this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis), net pension liability and net OPEB liability. The required supplementary information can be found later in this report.

The City of Macedonia as a Whole

The statement of net position provides the perspective of the City as a whole. Table 1 below provides a summary of the City's net position at December 31, 2021, and December 31, 2020.

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City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

Table 1
Net Position
Governmental Activities

	2021	2020	Change
<u>Assets</u>			
Current assets	\$24,844,321	\$20,441,000	\$4,403,321
Capital assets, net	58,602,594	59,216,693	(614,099)
Net OPEB Asset	417,638	0	417,638
Total assets	83,864,553	79,657,693	4,206,860
<u>Deferred outflows of resources</u>			
Deferred Charge on Refunding	55,719	61,910	(6,191)
OPEB	2,813,984	1,957,492	856,492
Pension	1,573,216	2,939,404	(1,366,188)
Total deferred outflows of resources	4,442,919	4,958,806	(515,887)
<u>Liabilities</u>			
Current liabilities	1,734,371	2,114,345	(379,974)
Long-term liabilities:			
Due within one year	1,771,070	1,869,910	(98,840)
Net pension liability	14,442,188	15,519,757	(1,077,569)
Net OPEB liability	1,685,985	4,978,290	(3,292,305)
Other amounts	16,153,201	16,970,614	(817,413)
Total liabilities	35,786,815	41,452,916	(5,666,101)
<u>Deferred inflows of resources</u>			
Property and Income Taxes	1,871,324	1,954,318	(82,994)
Grants and Other Taxes	84,900	81,400	3,500
OPEB	2,193,223	1,272,538	920,685
Pension	2,950,738	2,400,062	550,676
Total deferred inflows of resources	7,100,185	5,708,318	1,391,867
<u>Net Position</u>			
Net investment in capital assets	42,090,282	41,132,374	957,908
Restricted	6,563,641	4,725,970	1,837,671
Unrestricted (deficit)	(3,233,451)	(8,403,079)	5,169,628
Total net position	\$45,420,472	\$37,455,265	\$7,965,207

The largest portion of the City's net position is investments in capital assets (e.g. land, right of ways, construction in progress, buildings and improvements, machinery and equipment, vehicles, and infrastructure), less any related debt to acquire those assets that is still outstanding. The City uses these

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Total assets and deferred outflows of resources increased \$3,690,973 from 2020 to 2021. The City's total liabilities and deferred inflows of resources decreased \$4,274,234 for the same period. The change in current assets can be attributed to the increase in equity in pooled cash and investments.

Table 2 below shows the changes in net position for fiscal years 2021 and 2020.

	Governmental Activities 2021	Governmental Activities 2020	Change
Revenues			
Program revenues:			
Charges for services	\$4,629,356	\$3,548,161	\$1,081,195
Operating grants and contributions	1,138,154	2,332,179	(1,194,025)
Capital grants and contributions	30,617	283,105	(252,488)
Total program revenues	<u>5,798,127</u>	<u>6,163,445</u>	<u>(365,318)</u>
General revenues:			
Property taxes	2,139,850	1,912,727	227,123
Revenue in Lieu of Taxes	657,489	878,027	(220,538)
Income taxes	14,842,946	12,643,242	2,199,704
Unrestricted grants and entitlements	874,824	1,385,344	(510,520)
Investment earnings	12,928	45,656	(32,728)
Miscellaneous	1,819,224	264,823	1,554,401
Total general revenues	<u>20,347,261</u>	<u>17,129,819</u>	<u>3,217,442</u>
Total revenues	<u>26,145,388</u>	<u>23,293,264</u>	<u>2,852,124</u>
Expenses:			
General government	3,386,706	4,701,096	(1,314,390)
Public safety	8,794,745	9,244,213	(449,468)
Community development	753,278	1,365,393	(612,115)
Leisure time activity	1,044,955	1,850,612	(805,657)
Transportation and street repair	2,640,821	5,417,019	(2,776,198)
Basic utility services	926,445	831,730	94,715
Public health and welfare	220,387	222,162	(1,775)
Interest and other charges	412,844	531,822	(118,978)
Total expenses	<u>18,180,181</u>	<u>24,164,047</u>	<u>(5,983,866)</u>
Change in net position	7,965,207	(870,783)	8,835,990
Net position at beginning of year	<u>37,455,265</u>	<u>38,326,048</u>	<u>(870,783)</u>
Net position at end of year	<u><u>\$45,420,472</u></u>	<u><u>\$37,455,265</u></u>	<u><u>\$7,965,207</u></u>

**City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)**

Governmental Activities

The City's net position for governmental activities increased \$7,965,207 during 2021. Table 2 indicates total revenues increased by \$2,852,124. At the same time program expenses decreased by \$5,983,866. The increase in revenue is primarily a result of increase in income taxes.

Several types of revenues fund our governmental activities. With the City, income tax is a major revenue source. The income tax rate was 2.50% throughout the year. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100.00% credit up to 2.50% for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City. A resident can apply for a 0.25% refund of income tax paid to the city.

Total program revenues for 2021 decreased by \$365,318. Operating grants and contributions decreased \$1,194,025, capital grants and contributions decreased \$252,488 and charges for services and sales increased \$1,081,195.

Total general revenues for 2021 increased by \$3,217,442 compared to 2020. This increase is mainly due to the increase in income tax revenue for 2021. The miscellaneous revenues for 2021 were \$319,224. Of the \$26,145,388 in total revenues, income tax accounts for 56.8% of the total governmental revenues. Property taxes for 2021 were \$2,139,850.

During 2021, the City experienced a 24.8% decrease in its program expenses. The largest program function for the City normally relates to public safety expenses. Public safety expenses decreased 4.9% in 2021. General government expenses which account for the basic operations of the City including council, mayor, finance, law, purchasing, civil service, engineering, and building maintenance among other departments and services, had expenses of \$3,386,706 for 2021.

The City's Funds

The City of Macedonia uses fund accounting as mandated by governmental legal requirements. The importance of accounting and reporting using this method is to demonstrate compliance with these finance related requirements.

Governmental Funds

These funds are accounted for by using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$32,148,166 and expenditures and other financing uses of \$26,879,309. Income tax is the City's largest revenue source.

The largest fund for the City is the general fund. The year-end fund balance for the general fund was \$8,949,058 on a modified accrual basis. This is an increase of \$1,539,874 from 2020.

For all other governmental funds, the end of year fund balance increased to \$8,763,518 in 2021.

**City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)**

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. Recommendations and requests for budget changes are referred to the Finance Committee before going to the formal Council meeting for ordinance enactment on the change. The Finance Director provides the administration and City Council with monthly reports on revenues and expenditures. This provides all parties with information on revenue and expenditure levels, trends, budgeted versus actual amounts and recommendations on any changes in policy or execution that may be required.

The general fund supports most of the City's major activities such as the police, fire, building, and service departments as well as the legislative and most executive activities. For the general fund, the original budgeted revenues were \$15,465,615 and the final budgeted revenues were \$16,323,526. Actual revenues of \$15,802,821 were \$520,705 less than the final budget.

The original budget estimated expenditures and other financing uses were \$16,156,616 and the final budgeted expenditures and other financing uses were \$16,693,615. Actual expenditures and other financing uses were \$15,404,982. Actual expenditures were \$1,288,633 less than the final budget.

Capital Assets and Long-Term Obligations

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

	Governmental Activities	
	2021	2020
Land	\$8,415,883	\$8,415,883
Construction in Progress	362,246	528,936
Buildings and Improvements	8,580,035	8,852,435
Machinery and Equipment	4,025,734	3,899,774
Infrastructure	37,218,696	37,519,665
<i>Totals</i>	\$58,602,594	\$59,216,693

Total capital assets, net of depreciation for governmental activities of the City for 2021 were \$58,602,594 a \$614,099 decrease from the 2020 balance. The decrease is primarily due to depreciation expense exceeding additions in 2021. See Note 8 of the basic financial statements for additional information on capital assets.

Long-Term Obligations

On December 31, 2021, the City of Macedonia had \$13,275,000 in general obligation bonds and BANs, \$363,800 in special assessment bonds, \$713,814 in lease purchase agreements, \$1,597,105 in OPWC loans, and \$169,900 in SIB loans outstanding.

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

Table 4
Outstanding Long-Term Obligations at End of Year

	Governmental	
	2021	2020
General Obligation Bonds & BANs	\$13,275,000	\$13,640,000
Special Assessment Bonds	363,800	476,700
Lease purchase agreements	713,814	950,679
OPWC Loan	1,597,105	1,791,248
SIB Loans	169,900	234,396
Totals	\$16,119,619	\$17,093,023

See Notes 12 and 14 of the basic financial statements for additional information on debt.

Current Financial Related Activities

The Administration and City Council have committed the City to financial excellence and work hard at maximizing efficiencies and keeping the City's debt obligations at a minimum.

In 2021, the General fund expenditures plus year end encumbrances totaled \$15,404,982. This was \$1,288,633 below the General fund budget of \$16,693,615. In addition, the city ended 2021 with an unencumbered General fund cash balance of \$4,378,073.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends or invests. If you have any questions about this report or need additional financial information contact John M. Veres, CPA, Finance Department, 9691 Valley View Road, Macedonia, Ohio 44056, telephone (330) 468-8359 or the City website at www.Macedonia.oh.us.

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City of Macedonia, Ohio
Statement of Net Position
December 31, 2021

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$15,832,802
Receivables (Net):	
Taxes	6,910,307
Accounts	503,954
Intergovernmental	890,332
Special Assessments	381,210
Inventory	181,016
Prepaid Items	144,700
Nondepreciable Capital Assets	8,778,129
Depreciable Capital Assets, Net	49,824,465
Net OPEB Asset	<u>417,638</u>
 Total Assets	 <u>83,864,553</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	55,719
OPEB	2,813,984
	<u>1,573,216</u>
 Total Deferred Outflows of Resources	 <u>4,442,919</u>
Liabilities:	
Accounts Payable	302,008
Accrued Wages and Benefits	317,588
Accrued Interest Payable	40,245
Deposits held and due to others	446,024
Unearned Revenue	628,506
Long-Term Liabilities:	
Due Within One Year	1,771,070
Due In More Than One Year	
Net Pension Liability	14,442,188
Net OPEB Liability	1,685,985
Other Amounts	<u>16,153,201</u>
 Total Liabilities	 <u>35,786,815</u>
Deferred Inflows of Resources:	
Property and Income Taxes	1,871,324
Grants and Other Taxes	84,900
OPEB	2,193,223
Pension	<u>2,950,738</u>
 Total Deferred Inflows of Resources	 <u>7,100,185</u>
Net Position:	
Net Investment in Capital Assets	42,090,282
Restricted for:	
Debt Service	478,611
Capital Projects	2,292,092
Street Construction and Maintenance	1,114,761
Fire services	14,044
Police Services and Programs	2,470,174
Other Purposes	193,959
Unrestricted	<u>(3,233,451)</u>
 Total Net Position	 <u><u>\$45,420,472</u></u>

See accompanying notes to the basic financial statements.

City of Macedonia, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2021

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	\$3,386,706	\$293,014	\$26,317	\$0	(\$3,067,375)
Public Safety	8,794,745	3,054,317	125,971	0	(5,614,457)
Community Development	753,278	190,839	0	0	(562,439)
Leisure Time Activities	1,044,955	693,083	0	0	(351,872)
Transportation and Street Repair	2,640,821	0	963,745	30,617	(1,646,459)
Basic Utility Service	926,445	236,026	11,196	0	(679,223)
Public Health and Welfare	220,387	162,077	10,925	0	(47,385)
Interest and Other Charges	412,844	0	0	0	(412,844)
Totals	\$18,180,181	\$4,629,356	\$1,138,154	\$30,617	(12,382,054)
General Revenues:					
					14,842,946
					2,001,657
					138,193
					874,824
					657,489
					1,500,000
					12,928
					319,224
					<u>20,347,261</u>
					7,965,207
					<u>37,455,265</u>
					<u>\$45,420,472</u>

See accompanying notes to the basic financial statements.

City of Macedonia, Ohio
Balance Sheet
Governmental Funds
December 31, 2021

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$6,732,740	\$9,100,062	\$15,832,802
Receivables (Net):			
Taxes	5,315,556	1,594,751	6,910,307
Accounts	503,954	0	503,954
Intergovernmental	267,205	623,127	890,332
Special Assessments	44	381,166	381,210
Interfund	644,300	0	644,300
Inventory	5,131	175,885	181,016
Prepaid Items	115,500	29,200	144,700
Total Assets	13,584,430	11,904,191	25,488,621
Liabilities:			
Accounts Payable	90,503	211,505	302,008
Accrued Wages and Benefits	232,609	84,979	317,588
Interfund Payable	0	644,300	644,300
Deposits held and due to others	446,024	0	446,024
Unearned Revenue	0	628,506	628,506
Total Liabilities	769,136	1,569,290	2,338,426
Deferred Inflows of Resources:			
Property and Income Taxes	3,318,153	776,669	4,094,822
Grants and Other Taxes	90,556	413,548	504,104
Special Assessments	44	381,166	381,210
Accounts	457,483	0	457,483
Total Deferred Inflows of Resources	3,866,236	1,571,383	5,437,619
Fund Balances:			
Nonspendable	134,637	205,085	339,722
Restricted	0	5,328,655	5,328,655
Committed	574,172	3,351,202	3,925,374
Assigned	2,886,677	0	2,886,677
Unassigned	5,353,572	(121,424)	5,232,148
Total Fund Balances	8,949,058	8,763,518	17,712,576
Total Liabilities, Deferred Inflows and Fund Balances	\$13,584,430	\$11,904,191	\$25,488,621

See accompanying notes to the basic financial statements.

City of Macedonia, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 December 31, 2021

Total Governmental Fund Balance \$17,712,576

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

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

Capital assets used in the operation of Governmental Funds 58,602,594

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

Income Taxes	2,173,011	
Delinquent Property Taxes	50,487	
Intergovernmental	419,204	
Other Receivables	<u>838,693</u>	
		3,481,395

In the statement of net position interest payable is accrued when
 incurred; whereas, in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources. (40,245)

Some liabilities reported in the statement of net position do not
 require the use of current financial resources and, therefore,
 are not reported as liabilities in governmental funds.

Compensated Absences (1,356,240)

Deferred outflow of resources associated with long-term liabilities
 are not reported in the funds. 55,719

Deferred outflows and inflows or resources related to pensions and OPEB
 are applicable to future periods and, therefore, are not
 reported in the funds.

Deferred outflows of resources related to pensions	2,813,984	
Deferred outflows of resources related to OPEB	1,573,216	
Deferred inflows of resources related to pensions	(2,950,738)	
Deferred inflows of resources related to OPEB	<u>(2,193,223)</u>	
		(756,761)

Long-term liabilities and assets are not due and payable in the current
 period and, therefore, are not reported in the funds.

Net OPEB Asset	417,638	
Net Pension Liability	(14,442,188)	
Net OPEB Liability	(1,685,985)	
Other Amounts	<u>(16,568,031)</u>	
		<u>(32,278,566)</u>

Net Position of Governmental Activities \$45,420,472

See accompanying notes to the basic financial statements.

City of Macedonia, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended December 31, 2021

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$1,993,572	\$137,412	\$2,130,984
Income Taxes	10,824,932	4,479,906	15,304,838
Charges for Services	2,347,146	901,926	3,249,072
Investment Earnings	12,928	0	12,928
Intergovernmental	1,038,839	1,697,280	2,736,119
Special Assessments	103	261,595	261,698
Fines, Licenses & Permits	343,377	4,773	348,150
Revenue in Lieu of Taxes	0	657,489	657,489
Donations and Contributions	0	1,500,000	1,500,000
Other Revenues	245,999	104,589	350,588
Total Revenues	16,806,896	9,744,970	26,551,866
Expenditures:			
Current:			
General Government	3,874,116	135,485	4,009,601
Public Safety	8,096,158	826,527	8,922,685
Community Development	384,720	572,311	957,031
Leisure Time Activities	0	1,334,289	1,334,289
Transportation and Street Repair	0	1,743,247	1,743,247
Basic Utility Service	96,641	339,329	435,970
Public Health and Welfare	220,387	0	220,387
Capital Outlay	0	2,242,276	2,242,276
Debt Service:			
Principal	0	1,553,404	1,553,404
Interest and Other Charges	0	444,119	444,119
Total Expenditures	12,672,022	9,190,987	21,863,009
Excess of Revenues Over (Under) Expenditures	4,134,874	553,983	4,688,857
Other Financing Sources (Uses):			
Issuance of Long-Term Capital-Related Debt	0	580,000	580,000
Transfers In	0	5,016,300	5,016,300
Transfers (Out)	(2,595,000)	(2,421,300)	(5,016,300)
Total Other Financing Sources (Uses)	(2,595,000)	3,175,000	580,000
Net Change in Fund Balance	1,539,874	3,728,983	5,268,857
Fund Balance - Beginning of Year	7,409,133	5,032,794	12,441,927
Change in Reserve for Inventory	51	1,741	1,792
Fund Balance - End of Year	\$8,949,058	\$8,763,518	\$17,712,576

See accompanying notes to the basic financial statements.

City of Macedonia, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended December 31, 2021

Net Change in Fund Balance - Total Governmental Funds \$5,268,857

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

Governmental funds report capital asset additions 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 of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	2,448,780	
Depreciation Expense	(3,062,879)	
		(614,099)

Governmental funds report City pension/OPEB contributions as
 expenditures. However in the Statement of Activities, the cost
 of pension/OPEB benefits earned net of employee contributions is
 reported as pension/OPEB expense.

City pension contributions	1,408,589	
Cost of benefits earned net of employee contributions - Pension	(1,007,116)	
City OPEB contributions	21,031	
Cost of benefits earned net of employee contributions - OPEB	2,383,951	
		2,806,455

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

Income Taxes	(461,892)	
Delinquent Property Taxes	8,866	
Intergovernmental	65,387	
Other	(18,839)	
		(406,478)

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net position. 1,553,404

In the statement of activities interest expense is accrued when incurred;
 whereas, in governmental funds an interest expenditure is reported
 when due. 7,672

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

Compensated Absences	(95,999)	
Amortization of Bond Premium	29,794	
Amortization of Deferred Charge on Refunding	(6,191)	
Change in Inventory	1,792	
		(70,604)

Proceeds from debt issues are an other financing source in the funds,
 but a debt issue increases long-term liabilities in the statement
 of net position. (580,000)

Change in Net Position of Governmental Activities \$7,965,207

See accompanying notes to the basic financial statements.

City of Macedonia, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2021

	<u>Custodial Funds</u>
Assets:	
Equity in Pooled Cash and Investments	\$114,515
Receivables (Net):	
Taxes	<u>73,752</u>
Total Assets	<u>188,267</u>
Liabilities:	
Accounts Payable	<u>47</u>
Total Liabilities	<u>47</u>
Net Position:	
Restricted for Individuals, Organizations, and Other Governments	<u>188,220</u>
Total Net Position	<u><u>\$188,220</u></u>

See accompanying notes to the basic financial statements.

City of Macedonia, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended December 31, 2021

	Custodial Funds
Additions:	
Intergovernmental Revenue	<u>\$442,191</u>
Total Additions	<u>442,191</u>
Deductions:	
General Government	9,545
Fees and Permits	10,345
JEDD Distribution	458,422
Other	<u>332</u>
Total Deductions	<u>478,644</u>
Change in Net Position	(36,453)
Net Position - Beginning of Year	<u>224,673</u>
Net Position - End of Year	<u><u>\$188,220</u></u>

See accompanying notes to the basic financial statements.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

Note 1 - Description of the City and Reporting Entity

The City of Macedonia (the "City") is a charter municipal corporation duly organized and existing under the constitution and laws of the State of Ohio. The City may exercise all powers of local self-government and police powers to the extent it is not in conflict with applicable general laws. A charter was first adopted by the electorate at a general election held in 1972. The City operates under its own charter and is governed by a Mayor-Council form of government with the Mayor appointing the Finance Director and department heads, with Council approval and Council appointing the Clerk of Council. Officials include five Council members and a Mayor elected to four-year terms.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Macedonia, this includes the departments and agencies that provide the following services: police, fire, street maintenance, planning and zoning, emergency medical technicians, parks and recreation system, public improvements department, general administrative services and mayor's court.

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

The City is associated with two jointly governed organizations, the Northeast Ohio Public Energy Council and the Regional Council of Governments (Note 15) and one joint venture, the Northfield Center Township - Macedonia Joint Economic Development District (Note 16).

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City of Macedonia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Basis of Presentation

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

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. These statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental 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. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each 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 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.

Fund Accounting

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

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

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

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

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Custodial funds account for assets held by the City for the benefit of other governments, organizations, or individuals. The City's custodial funds account for building assessment fees collected for the Ohio Board of Building Standards; a Joint Economic Development District with Northfield Center Township; and EMS fees collected on behalf of Boston Heights.

Measurement Focus

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing 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.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return,

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - 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, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources have been reported on the government-wide statements for the following items related to the City's net pension liability and net OPEB liability: (1) the net difference between projected and actual investment earnings on pension/OPEB plan assets, (2) the City's contributions to the pension/OPEB systems subsequent to the measurement date and (3) differences between employer's contributions and the employer's proportional share of contributions. For more pension and OPEB related information, see Notes 10 and 11.

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 position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property and income taxes, grants, payments in lieu of taxes, special assessments, accounts receivable, OPEB and pension. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2021, but which were levied to finance 2022 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. Accounts receivable, grants and special assessments are reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows related to pension and OPEB are reported on the government-wide statement of net position. For more pension and OPEB related information, see Notes 10 and 11.

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

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternate tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternate tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of budgetary control is at the department level and object level of personal services, operating and capital outlay for the general, street construction, maintenance and repair, parks, and family recreation funds, at the line item level for the capital improvements fund, and at the fund level for all other funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control. More detailed allocations beyond the legal level of appropriations passed by Council may be made by the Finance Director.

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

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

Cash and Cash Equivalents

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During the year, the City's investments were limited to Star Ohio and money market funds. The City's money market fund investment is recorded at the amount reported by financial institutions on December 31, 2021.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." 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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

provides an NAV per share that approximates fair value.

For 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Investment procedures are restricted by the provisions of the Ohio Revised Code (ORC). Interest revenue credited to the general fund during 2021 amounted to \$12,928.

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.

Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance which indicates that it does not constitute available spendable resources even though it is a component of fund balance.

Prepaid Items

Payments made for services that will benefit periods beyond December 31, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets

The City's only capital assets are general capital assets. General capital assets are those assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

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

Description	Estimated Lives
Land	N/A
Right-of-Ways	N/A
Buildings and Improvements	15 - 100 years
Land Improvements	20 years
Machinery and Equipment	5 - 40 years
Furniture and Fixtures	10 - 25 years
Vehicles	6 - 25 years
Infrastructure	15 - 50 years

The City's infrastructure consists of roads, water mains, storm sewers, traffic signals, and bridges and includes infrastructure acquired since December 31, 1980.

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

Fund Balances

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). 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) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

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 only used to report a deficit fund 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.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net position invested in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the 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 its use either through constitutional provisions or enabling legislation

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For the Year Ended December 31, 2021

or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the City's \$6,563,641 in restricted net position, none was restricted by enabling legislation.

Interfund Activity

Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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

Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are received in the year the bonds are issued.

Estimates

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

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position for 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.

City of Macedonia
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For the Year Ended December 31, 2021

Note 3 - Accountability and Compliance

Deficit Fund Balances

Fund balances at December 31, 2021 included the following individual fund deficits:

<u>Other Governmental Funds</u>	<u>Deficit</u>
Special Assessment Bond Retirement	\$89,957
Fire Operating Levy	20,767
The Avenue TIF Fund	10,700

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 - Deposits and Investments

The City has chosen to follow State statutes and classify monies held by the City into three categories.

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

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must 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.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the

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agreement by at least 2.00% and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio); and,
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed 25.00% of the interim monies available for investment at any one time.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and,
3. Obligations of the City.

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. Investments may only be made through specified dealers and institutions.

Cash on Hand

At year end, the City had \$1,175 in undeposited cash on hand, which is included on the financial statements of the City as part of "equity in pooled cash and investments".

Deposits

Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2021, \$9,498,003 of the City's bank balance of \$10,000,943 was exposed to custodial risk as discussed below, while \$502,940 was covered by the Federal Deposit Insurance Corporation "FDIC".

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105.00% of the carrying value of the deposits. Such collateral, as permitted by the ORC, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although

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the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments

All investments are in an internal investment pool. As of December 31, 2021, the City had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Fair Value Hierarchy</u>	<u>Wighted Average of Maturity</u>
Money Market Funds	\$6,101,780	N/A	0.00
STAR Ohio	66,965	N/A	0.11
Total	<u>\$6,168,745</u>		
Portfolio Weighted Average Maturity			0.00

The City categorizes its fair value measurements with 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 above table identifies the City's recurring fair value measurements as of December 31, 2021. STAR Ohio is reported at its share price (Net Asset value per share).

Interest Rate Risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in investments so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities, and the U.S. government money market fund are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the City's name. 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.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The money market funds are not rated. The City has no investment policy that addresses credit risk.

Concentration of Credit Risk: The City's investment policy places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2021:

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<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Money Market Funds	\$6,101,780	99%
STAR Ohio	66,965	1%
Total	<u>\$6,168,745</u>	<u>100%</u>

Note 5 – Receivables

Receivables at December 31, 2021, consisted primarily of municipal income taxes, property taxes, special assessments, accounts (billings for user charged services and court fines), interfund and intergovernmental receivables arising from grants, entitlements and shared revenues.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except for delinquent property taxes and special assessments are expected to be collected within one year. Property taxes although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Special assessments expected to be collected in more than one year amount to \$44 in the general fund and \$381,210 in the other governmental funds.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35.00% of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35.00% of true value. 2021 public utility property taxes became a lien December 31, 2020, are levied after October 1, 2021, and are collected in 2022 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Summit County Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the City of Macedonia. The Summit County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2021, and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by deferred outflows of resources since the current taxes were not levied to finance 2021 operations and the collection of delinquent taxes has been offset by deferred inflows of resources since the collection of the taxes during the available

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period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2021, was \$7.90 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2021 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$364,261,690
Commercial/Industrial/Mineral	113,719,510
Public utility	<u>31,445,980</u>
Total Assessed Value	<u><u>\$509,427,180</u></u>

Income Taxes

The City levied a 2.50% municipal income tax on substantially all income earned within the City. In addition, City residents are required to pay tax on income earned outside of the City. The City allows a credit of 100.00% for income tax paid to another municipality, not to exceed 2.50% of taxable income.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City Ordinance, City net income tax collections from levies exceeding 2.25% are allocated to the Fire, Police, and Service Departments, with the remaining City net income tax collections allocated 70.66% to general fund, 11.39% for road projects and improvements, 6.28% to parks and recreation center, and 11.67% to Safety Services (50.00% of the 6.28% for park and 50.00% of the 6.28% to the recreation center).

The Regional Income Tax Agency (RITA) administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of 3.00%.

Note 6 - Compensated Absences

The criteria for determining vacation and sick leave liabilities are derived from negotiated agreements and State laws. Employees earn ten to twenty-five days of vacation per year, depending upon length of service. Normally, all vacation is to be taken in the year available unless written approval for carryover of vacation is obtained, in which case it is to be used in the first quarter of the following year. All accumulated unused vacation time is paid upon termination of employment.

Employees earn sick leave at a rate of 1 1/4 days per month. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee can be paid a maximum of 40.00% of accumulated, unused sick leave up to a maximum payment of 384 hours, except fire employees whose maximum payment is up to 540 hours and police employees whose maximum payment is up to 500 hours. An employee with less than 10 years of service with the City, who is terminated other than retirement, is entitled to be paid 25.00% of their accrued unused sick leave up to a maximum payment of 240 hours.

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Note 7 - Interfund Transactions

Interfund transfers and receivables and payables for the year ended December 31, 2021, consisted of the following, as reported on the fund financial statements:

	Transfers		Interfund	
	In	Out	Receivable	Payable
General Fund	\$0	\$2,595,000	\$644,300	\$0
Other Governmental Funds	5,016,300	2,421,300	0	644,300
Total All Funds	<u>\$5,016,300</u>	<u>\$5,016,300</u>	<u>\$644,300</u>	<u>\$644,300</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) to move residual equity amounts. Transfers between governmental funds are eliminated on the government-wide financial statements.

The transfers out of the Road Program Fund to the Other Debt Fund and General Bond Retirement Fund were for debt payments being made out of those two funds. A transfer was made out of the Permissive Tax Fund to the General Bond Retirement fund for debt service payments. A transfer was made out of the Safety Services fund into the General Bond Retirement fund for debt service payments. Transfers were made out of TIF Funds to the General Bond Retirement Fund for debt service payments.

Note 8 - Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital Assets Not Being Depreciated				
Land	\$8,415,883	\$0	\$0	\$8,415,883
Construction in Progress	528,936	90,747	(257,437)	362,246
Total Capital Assets Not Being Depreciated	<u>8,944,819</u>	<u>90,747</u>	<u>(257,437)</u>	<u>8,778,129</u>
Capital Assets Being Depreciated				
Buildings and Improvements	14,660,041	96,260	0	14,756,301
Machinery and Equipment	10,529,890	724,146	0	11,254,036
Infrastructure	67,399,648	1,795,064	0	69,194,712
Total Capital Assets Being Depreciated	<u>92,589,579</u>	<u>2,615,470</u>	<u>0</u>	<u>95,205,049</u>
Less Accumulated Depreciation				
Buildings and Improvements	5,807,606	368,660	0	6,176,266
Machinery and Equipment	6,630,116	598,186	0	7,228,302
Infrastructure	29,879,983	2,096,033	0	31,976,016
Total Accumulated Depreciation	<u>42,317,705</u>	<u>3,062,879</u>	<u>0</u>	<u>45,380,584</u>
Total Capital Assets Being Depreciated, Net	<u>50,271,874</u>	<u>(447,409)</u>	<u>0</u>	<u>49,824,465</u>
Governmental Activities Capital Assets, Net	<u>\$59,216,693</u>	<u>(\$356,662)</u>	<u>(\$257,437)</u>	<u>\$58,602,594</u>

Depreciation expense was charged to governmental functions as follow:

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General government	\$158,053
Security of persons and property	314,806
Leisure time activities	217,811
Community environment	898
Basic Utility Services	490,475
Transportation	<u>1,880,836</u>
Total	<u><u>\$3,062,879</u></u>

Note 9 - Risk Management

Property and Liability

The City 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. As of December 31, 2021, the City contracted with the Ohio Municipal League Self Insurance Pool, which is administered by Nixon Laurianti Insurance Agency, Inc., as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Ohio Municipal Joint Self Insurance Pool		
Blanket Property, and Contents, Replacement	\$16,645,037	\$2,500
Property Dwelling	cash value	1,000
General Liability	6,000,000	No deductible
Automobile Liability	6,000,000	500
Municipal Attorney & Law Directors Liability	1,000,000	25,000
Employer Liability	1,000,000	No deductible
Emergency Medical Services Liability	6,000,000	25,000
Miscellaneous Equipment (Scheduled)	cash value	1,000
Miscellaneous Equipment (Unscheduled)	cash value	1,000
Tower and Antenna	cash value	1,000
Public Officials Liability	6,000,000	25,000
Law Enforcement	6,000,000	25,000
Employee Benefits Liability (per act)	1,000,000	No deductible
Inland Marine Liability	cash value	1,000
Uninsured/Underinsured Motorist	50,000	No deductible
Hired/Borrowed Physical Damage	50,000	500

The City carries commercial insurance coverage for all risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there were no significant reductions in coverage from the prior year.

Workers' Compensation

Workers' compensation coverage is provided by the State of Ohio. 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 10 – Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires 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 may 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 healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension/OPEB liability 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 accrued wages and benefits on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the required pension disclosures. See Note 11 for the required 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. While employees may elect the member-directed plan or the combined plan, substantially all employees are in the traditional plan; therefore, the following disclosure focuses on 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 opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

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

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<u>Group A</u>	<u>Group B</u>	<u>Group C</u>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<u>State and Local</u>	<u>State and Local</u>	<u>State and Local</u>
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<u>Public Safety</u>	<u>Public Safety</u>	<u>Public Safety</u>
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<u>Law Enforcement</u>	<u>Law Enforcement</u>	<u>Law Enforcement</u>
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<u>Public Safety and Law Enforcement</u>	<u>Public Safety and Law Enforcement</u>	<u>Public Safety and Law Enforcement</u>
Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans.

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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.

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

Funding Policy

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2021 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee *	10.0 %	**	***
2021 Actual Contribution Rates			
Employer:			
Pension ****	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits ****	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

- * Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
- ** This rate is determined by OPERS' Board and has no maximum rate established by ORC.
- *** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.
- **** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

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

For 2021, the City's contractually required contribution was \$510,596, of this amount \$69,643 is reported in accrued wages and benefits.

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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 that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

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

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

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

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0% 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.

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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:

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$897,993 for 2021, of this amount \$71,368 is reported as accrued wages and benefits.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2020, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share of the City's defined benefit pension plans:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
	<u>Traditional Plan</u>		
Proportionate Share of the:			
Net Pension Liability	\$3,594,303	\$10,847,885	\$14,442,188
Proportion of the Net Pension Liability:			
Current Measurement Date	0.02427300%	0.15912780%	
Prior Measurement Date	<u>0.02627200%</u>	<u>0.15329720%</u>	
Change in Proportionate Share	<u>-0.00199900%</u>	<u>0.00583060%</u>	
Pension Expense	(\$72,169)	\$1,079,285	\$1,007,116

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

	OPERS		Total
	Traditional Plan	OPF	
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$0	\$453,478	\$453,478
Changes in assumptions	0	181,925	181,925
Changes in employer proportionate share of net pension liability	34,394	735,598	769,992
Contributions subsequent to the measurement date	510,596	897,993	1,408,589
Total Deferred Outflows of Resources	<u>\$544,990</u>	<u>\$2,268,994</u>	<u>\$2,813,984</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$150,353	\$422,601	\$572,954
Net difference between projected and actual earnings on pension plan investments	1,400,954	526,194	1,927,148
Changes in employer proportionate share of net pension liability	275,250	175,386	450,636
Total Deferred Inflows of Resources	<u>\$1,826,557</u>	<u>\$1,124,181</u>	<u>\$2,950,738</u>

\$1,408,589 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS		
	Traditional Plan	OPF	Total
2022	(\$739,585)	\$198,571	(\$541,014)
2023	(290,432)	359,065	68,633
2024	(571,077)	(386,844)	(957,921)
2025	(191,069)	18,453	(172,616)
2026	0	57,575	57,575
Total	<u>(\$1,792,163)</u>	<u>\$246,820</u>	<u>(\$1,545,343)</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December

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31, 2020, 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, 2020, are presented below.

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

In October 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.4 percent simple through 2020 then 2.15 simple to .5 percent simple through 2021 then 2.15 percent simple.

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

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

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. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the 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 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Proportionate share of the net pension liability	\$6,856,152	\$3,594,303	\$882,081

Changes from the Measurement Date to the Report Date

During 2021, the OPERS Board lowered the investment rate of return from 7.2 percent to 6.9 percent along with certain other changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

Actuarial Assumptions – OP&F

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

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retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2020, are presented below.

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	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% simple for increases based on the lesser of the increase in CPI and 3 percent

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A

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forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 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	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income*	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	125.00 %	

Note: Assumptions are geometric.

*levered 2.5x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on 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

Total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, OP&F's fiduciary net position was projected to be available to make all future benefit payment 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 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate. To illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower, 7.00 percent, or one percentage point higher, 9.00 percent, than the current rate:

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	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of the net pension liability	\$15,101,645	\$10,847,885	\$7,287,917

Note 11 – Postemployment Benefits

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description

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

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

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 will discontinue the group plans currently offered to non-Medicare

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retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2020, measurement date health care valuation.

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 become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting 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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, 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 2021 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2021.

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.

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

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

Funding Policy

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

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The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$21,031 for 2021.

Net OPEB Liability (Asset)

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

	OPERS		
	<u>Traditional Plan</u>	<u>OPF</u>	<u>Total</u>
Proportionate Share of the:			
Net OPEB Liability (Asset)	(\$417,638)	\$1,685,985	\$1,268,347
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.02344200%	0.15912780%	
Prior Measurement Date	<u>0.02507900%</u>	<u>0.15329720%</u>	
Change in Proportionate Share	<u>-0.00163700%</u>	<u>0.00583060%</u>	
OPEB Expense	(\$2,593,623)	\$209,672	(\$2,383,951)

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

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	OPERS		Total
	Traditional Plan	OPF	
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$0	\$0	\$0
Changes in assumptions	205,316	931,414	1,136,730
Changes in employer proportionate share of net OPEB liability	25,611	389,844	415,455
Contributions subsequent to the measurement date	0	21,031	21,031
Total Deferred Outflows of Resources	<u>\$230,927</u>	<u>\$1,342,289</u>	<u>\$1,573,216</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$376,916	\$278,097	\$655,013
Changes in assumptions	676,699	268,777	945,476
Net difference between projected and actual earnings on OPEB plan investments	222,440	62,654	285,094
Changes in employer proportionate share of net OPEB liability	138,421	169,219	307,640
Total Deferred Inflows of Resources	<u>\$1,414,476</u>	<u>\$778,747</u>	<u>\$2,193,223</u>

\$21,031 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending	OPERS		
December 31:	Traditional Plan	OPF	Total
2022	(\$618,254)	\$120,963	(\$497,291)
2023	(442,422)	135,800	(306,622)
2024	(96,663)	112,409	15,746
2025	(26,210)	106,494	80,284
2026	0	30,236	30,236
Thereafter	0	36,609	36,609
Total	<u>(\$1,183,549)</u>	<u>\$542,511</u>	<u>(\$641,038)</u>

Actuarial Assumptions - OPERS

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

Projections of 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, 2019, rolled forward to the measurement date of December 31, 2020. The actuarial valuation used the

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

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25% to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	6.00%
Prior Measurement date	3.16%
Investment Rate of Return	6.00%
Municipal Bond Rate:	
Current measurement date	2.00%
Prior Measurement date	2.75%
Health Care Cost Trend Rate:	
Current measurement date	8.50%, initial 3.50%, ultimate in 2035
Prior Measurement date	10.50%, initial 3.50%, ultimate in 2030
Actuarial Cost Method	Individual Entry Age

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

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

The 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. Best estimates of arithmetic rates of return were provided by OPERS investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trust	7.00	6.48
International Equities	25.00	7.36
Other investments	9.00	4.02
Total	100.00 %	4.43 %

Discount Rate

A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. 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 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

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

The following table presents the City’s proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 3.16 percent, as well as what the City’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Proportionate share of the net OPEB (asset)	(\$103,848)	(\$417,638)	(\$675,598)

Sensitivity of the Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability (asset.) The following table presents the net OPEB liability (asset) calculated using the assumed trend rates, and the expected net OPEB liability (asset) if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

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

	<u>1% Decrease</u>	Current Health Care Cost Trend Rate <u>Assumption</u>	<u>1% Increase</u>
Proportionate share of the net OPEB (asset)	(\$427,817)	(\$417,638)	(\$406,250)

Changes between Measurement Date and Reporting Date

During 2021, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

Actuarial Assumptions – OP&F

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

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

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

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

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Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Blended discount rate:	
Current measurement date	2.96%
Prior measurement date	3.56%
Cost of Living Adjustments	2.20% simple

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

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

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

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

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

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

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
	<u>125.00 %</u>	
Total	<u>125.00 %</u>	

Note: Assumptions are geometric.

* Levered 2.5x

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

Discount Rate

For 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.12 percent at December 31, 2020 and 2.75 percent at December 31, 2019, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 2.96 percent for 2020 and 3.56 percent for 2019. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 2.96 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.96 percent), or one percentage point higher (3.96 percent) than the current rate.

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	1% Decrease <u>(1.96%)</u>	Current Discount Rate <u>(2.96%)</u>	1% Increase <u>(3.96%)</u>
Proportionate share of the net OPEB liability	\$2,102,327	\$1,685,985	\$1,342,552

Sensitivity of the 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 12 - Capital Leases

The City's lease obligations meet the criteria of a capital lease as defined by GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements". Capital lease payments have been reclassified and are reflected as debt service expenditures on the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Lease Purchase Agreement

During the current year and in previous years, the City entered into lease-purchase agreements with a local bank to finance the purchase of various heavy machinery, vehicles and dump trucks. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the City. The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement as of December 31, 2021.

Years	Lease Purchase Agreement	
	Principal	Interest
2022	\$182,622	\$12,473
2023	108,022	8,723
2024	109,670	7,075
2025	111,342	5,399
2026	113,050	3,695
2027-2030	89,108	3,958
Total	<u>\$713,814</u>	<u>\$41,323</u>

Capital assets acquired by lease have been capitalized as follows:

Vehicles \$ 2,787,822

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Note 13 – Notes Payable

A summary of the note transactions for the current year end are as follows:

		Beginning Balance	Issued	Retired	Ending Balance
2020 SA Right in Right out BANs	0.50%	\$575,000	\$0	\$575,000	\$0
Total Notes Payable		<u>\$575,000</u>	<u>\$0</u>	<u>\$575,000</u>	<u>\$0</u>

Note 14 - Long-Term Obligations

The original issue date, interest rate, original issue amount and date of maturity of each of the City's bonds and loans follows:

Debt Issue	Interest Rate	Original Issue Amount	Date of of Maturity
Governmental Activities:			
General Obligation Bonds			
Radio G.O. Bonds 2020	1.50%	\$575,000	December 1, 2025
2020 Refunding of 2019 Bonds	1.50%	1,185,000	December 1, 2028
2020 Refunding of 2010 Bonds	1.23%	3,435,000	December 1, 2030
Fire Truck Acquisition Bonds, 2019	3.60%	1,450,000	December 1, 2028
Various Purpose, 2018	2.50-4.00%	9,000,000	December 1, 2025
Special Assessments			
Highland Road Improvement Variance, 2003	2.00-4.00%	1,260,000	December 1, 2021
North Freeway Drive, 2006	5.38%	543,300	December 1, 2026
Ohio Public Works Commission Loan (OPWC)			
North Freeway Drive Project, 2005	0.00%	678,957	December 1, 2027
Valley View Road Project, 2019	0.00%	677,787	January 4, 2040
Ledge Road Reconstruction Project 2020	0.00%	707,935	July 31, 2050
State Infrastructure Bank Loan			
I-271 Ramp Project, 2014	3.00%	502,000	July 31, 2034

Changes in long-term obligations of the City during 2021 are as follows:

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	Beginning Balance	Increase	Decrease	Ending Balance	Amounts Due in One Year
General Obligation Bonds and BANs					
Radio G. O. Bonds 2020	\$575,000	\$0	(\$110,000)	\$465,000	\$115,000
2020 Refunding of 2019 Bonds	1,185,000	0	(160,000)	1,025,000	155,000
2020 Refunding of 2010 Bonds	3,435,000	0	(320,000)	3,115,000	325,000
Various Purpose Bonds, 2018	8,445,000	0	(355,000)	8,090,000	370,000
Premium on 2018 Issuance	406,931	0	(22,607)	384,324	0
2021 Bond Anticipation Note	0	580,000	0	580,000	0
<i>Total General Obligation Bonds and BANs</i>	<u>14,046,931</u>	<u>580,000</u>	<u>(967,607)</u>	<u>13,659,324</u>	<u>965,000</u>
Special Assessment Bonds with Governmental Commitment					
Highland Road Improvement Various Purpose, 2003	250,000	0	(80,000)	170,000	85,000
North Freeway Drive, 2006	226,700	0	(32,900)	193,800	34,700
<i>Total Special Assessment Bonds</i>	<u>476,700</u>	<u>0</u>	<u>(112,900)</u>	<u>363,800</u>	<u>119,700</u>
Ohio Department of Transportation (ODOT)					
State Infrastructure Bank Loans (I-271 Ramp)	234,396	0	(64,496)	169,900	66,446
Ohio Public Works Commission Loans (OPWC)					
North Freeway Drive Project, 2005	237,633	0	(33,948)	203,685	33,948
CH07W, 2020	746,403	0	(37,320)	709,083	37,320
Ledge Road Reconstruction Project, CH06U	707,935	0	(23,598)	684,337	23,598
Highland Road Resurfacing Project, DHX09	99,277	0	(99,277)	0	0
<i>Total OPWC Loan</i>	<u>1,791,248</u>	<u>0</u>	<u>(194,143)</u>	<u>1,597,105</u>	<u>94,866</u>
Net Pension Liability	15,519,757	0	(1,077,569)	14,442,188	0
Net OPEB Liability	4,978,290	0	(3,292,305)	1,685,985	0
Compensated Absences Payable	1,269,295	422,057	(335,112)	1,356,240	342,436
Lease Purchase Agreements	950,679	0	(236,865)	713,814	182,622
Premiums	71,275	0	(7,187)	64,088	0
Total Governmental Long-Term Liabilities	<u>\$39,338,571</u>	<u>\$1,002,057</u>	<u>(\$6,288,184)</u>	<u>\$34,052,444</u>	<u>\$1,771,070</u>

General obligation bonds are the direct obligation of the City for which its full faith and credit are pledged for repayment and will be paid from the collection of income taxes.

On January 15, 2014, ODOT issued the City a loan to acquire the rights-of-way for the I-271 ramp project. The loan was in the amount of \$502,000 and had an interest rate of 3.00%. The loan has a maturity date of July 31, 2024. Principal and interest payments are due semi-annually. The loan had a 0.00% interest rate until July 30, 2015.

Special assessment bonds will be paid from special assessment proceeds 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 OPWC loan for North Freeway Drive Project will be paid from special assessments. The OPWC loan for Valley View Road Project will be paid from the Road Program Fund.

Compensated absences will be paid from the general fund and the street construction, maintenance and repair, parks and recreation and family recreation center special revenue funds.

Optional Redemption - The bonds maturing on or after December 1, 2013, shall be subject to redemption, by and at the option of the City, on or after December 1, 2012, in whole or in part on any

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date, in the integral multiples of \$5,000, at the redemption price of 100.00% of principal amount to be redeemed, plus interest accrued to the redemption date.

Mandatory Sinking Fund Redemption - The bonds maturing on December 1, 2023 shall be term bonds subject to mandatory sinking redemption requirements. The mandatory redemption is to occur on December 1, 2022 (with the balance of \$85,000 to be paid at stated maturity on December 1, 2023):

<u>Year</u>	<u>Principal Amount</u>
2022	85,000

2021 Bond Anticipation Notes

On April 29, 2021 the City issued \$580,000 in bond anticipation notes with an interest rate of 0.50%. the proceeds were used to pay for the cost of street improvements throughout the city.

2020 Radio G.O. Bonds

On December 15, 2020 the City issued \$575,000 in general obligation bonds with an interest rate of 1.500%. the proceeds were used to pay for the cost of acquiring, installing, equipping and otherwise improving the City's communication system.

2019 Fire Truck Acquisition Bonds

On January 17, 2019, the City issued \$1,450,000 in general obligation bonds with an interest rate of 3.60%. The proceeds were used to pay for the acquisition of new fire trucks.

2018 Various Purpose Bonds

On July 16, 2018, the City issued \$9,000,000 in general obligation bonds with interest rates varying from 2.50% to 4.00%. The proceeds were used to pay the costs of constructing, reconstructing, improving, grading, draining and paving various roads and streets in the City.

2010 Various Purpose Bonds

On September 22, 2010, the City issued \$5,130,000 in general obligation bonds with interest rates varying from 2.00% to 4.00%. The bond issue included serial and term bonds.

Optional Redemption - The bonds maturing after December 1, 2020, are subject to prior redemption, by and at the sole option of the City, in whole or in part as selected by the City (in integral multiples of \$5,000), on any date on or after December 1, 2020, at a redemption price equal to 100.00% of the principal amount redeemed, plus interest accrued to the redemption date.

Mandatory Redemption - The bonds maturing on December 1, 2030, (the term bonds), are subject to mandatory sinking fund redemption requirements, at a redemption price equal to 100.00% of the principal amount redeemed, plus interest accrued to the redemption date, on December 1 of the years shown, and according to, the following schedule:

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<u>Year</u>	<u>Principal Amount</u>
2025	\$325,000
2026	340,000
2027	350,000
2028	365,000
2029	375,000
2030	380,000

Principal and interest requirements to retire the long-term obligations as of December 31, 2021, are as follows:

Years	General Obligation Bonds and BANs		Special Assessment Bonds		OPWC Loans	SIB Loans	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
	2022	\$965,000	\$395,790	\$119,700	\$16,766	\$94,866	\$66,446
2023	975,000	349,493	121,700	11,473	94,866	68,454	2,671
2024	1,010,000	326,398	38,700	6,071	94,866	35,000	541
2025	1,010,000	308,242	40,700	3,962	94,866	0	0
2026	905,000	290,023	43,000	1,743	94,866	0	0
2027-2031	4,000,000	657,400	0	0	338,535	0	0
2032-2036	2,830,000	124,800	0	0	304,590	0	0
2037-2041	1,000,000	60,400	0	0	267,273	0	0
2042-2046	0	0	0	0	117,990	0	0
2047-2051	0	0	0	0	94,387	0	0
Total	<u>\$12,695,000</u>	<u>\$2,512,546</u>	<u>\$363,800</u>	<u>\$40,015</u>	<u>\$1,597,105</u>	<u>\$169,900</u>	<u>\$7,952</u>

Note 15 - Jointly Governed Organization

Northeast Ohio Public Energy Council (NOPEC)

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a Regional Council of Governments (RCOG) formed under Chapter 167 of the ORC. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 200 communities who have been authorized by ballot to purchase electricity and natural gas on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the ten-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program.

The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Macedonia did not contribute to NOPEC during 2021. Financial information can be obtained by contacting Ron McVoy, Board Chairman, 31320 Solon Rd. Suite 20, Solon, Ohio or at the website www.nopecinfo.org.

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Regional Council of Governments (RCOG)

In 1971, 38 municipalities joined together to organize a RCOG to administer tax collection and enforcement concerns facing the cities and villages. The first official act of the RCOG was to form the RITA. Today RITA serves as the income tax collection agency for 250 municipalities throughout the State of Ohio. The City began using RITA for its income tax collection services during 2005.

Each member municipality appoints its own delegate to the RCOG, including electing members to the RITA Board of Trustees. Regardless of the population or tax collections of member municipalities, each member of the RCOG has an equal say in the operations of RITA.

Note 16 - Joint Venture

The City participates in the Northfield Center Township - Macedonia Joint Economic Development District (JEDD) which is created in accordance with sections 715.70 and 715.71 of the Ohio Revised Code. The purpose of the JEDD is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State, the Township and the City. The City and the Township shall work together to provide or cause to be provided, water, sewer, storm sewer, street lighting, roads, sidewalks and other local government services to the area. These services are funded by a predetermined percentage of income tax revenue. The Board of Directors consists of six members, three from each the City and the Township. The Township members of the Board are the Township Trustees. The City members are the Mayor and two elected members of Council who are appointed to the Board by the Mayor and approved by Council. The Board adopted an annual budget for the JEDD and estimated the revenues and expenses of the operation of the JEDD. They also established the distribution of the income tax revenues. The Board is authorized to take such necessary and appropriate actions, or establish such programs to facilitate economic development in the JEDD area.

Continued existence of the JEDD is dependent on the City's continued participation; however, the City does not have an equity interest in the JEDD. The JEDD is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. In 2021, 50.00% of the JEDD's total distributions after expenses went to the City. Complete financial statements can be obtained from the JEDD, City of Macedonia, Finance Department, 9691 Valley View Road, Macedonia, Ohio, 44056.

Note 17 - Tax Increment Financing District (TIF)

The City, pursuant to the ORC and City Ordinances, has established TIF districts. A TIF represents a geographic area wherein property values created after the commencement date of the TIF are exempt, in whole or in part, from property taxes. Owners of such property, however, must pay amounts equal to the property taxes, known as "payments in lieu of taxes (PILOTS)", as though the TIF had not been established. These "PILOTS" are then dedicated to the payments for various public improvements within or adjacent to the TIF districts. Property values existing before the commencement date of a TIF continue to be subjected to property taxes.

PILOTS are reported in the fund financial statements. The TIF has a longevity of the shorter period of 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOTS cease and property taxes then apply to the increased property values.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

Note 18 – Contingencies

Grants

The City received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2021.

Litigation

The City of Macedonia is a party to legal proceedings seeking damages. The City management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

Note 19 - 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:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General Fund	\$510,616
Other Nonmajor Governmental	<u>3,481,222</u>
Total	<u><u>\$3,991,838</u></u>

Note 20 - 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:

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

Fund balance	General	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Materials and supplies inventory	\$5,131	\$175,885	\$181,016
Unclaimed monies	14,006	0	14,006
Prepays	115,500	29,200	144,700
Total nonspendable	134,637	205,085	339,722
Restricted:			
Street, Construction Maintenance & Repair	0	542,848	542,848
State Highway Improvement	0	34,002	34,002
Bond Retirement	0	19,467	19,467
Permissive Tax	0	17,267	17,267
Nardonia Hills Home Days	0	53,564	53,564
Motor Vehicle License	0	59,035	59,035
City Income Tax	0	6,093	6,093
Drug Law Enforcement	0	39,229	39,229
Law Enforcement Education	0	29,896	29,896
Other Debt	0	198,130	198,130
Mayors Court Computer	0	19,212	19,212
Federal Fire Grants	0	14,044	14,044
Law Enforcement Trust	0	17,914	17,914
Quiet Zone Maintenance Fund	0	19,074	19,074
ARRA Grants Fund	0	5,416	5,416
Federal Equitable Sharing	0	82,447	82,447
K-9 Police Donaton	0	1,266	1,266
Wireless E911	0	14,903	14,903
Safety Services	0	2,101,606	2,101,606
Capital Improvement	0	517,335	517,335
CDBG Grant	0	8,153	8,153
Macedonia Shoppes TIF	0	151	151
Maquire Property TIF	0	94	94
Culver's TIF	0	141	141
KFC TIF	0	92	92
Road Program	0	1,495,754	1,495,754
Longwood Park Improvements	0	5,912	5,912
Police Pension Transfer	0	583	583
Manor House Renovations	0	25,027	25,027
Total restricted	0	5,328,655	5,328,655
Committed:			
Community environment	0	424,344	424,344
Leisure time activities	0	1,429,271	1,429,271
Retirement reserve	564,822	0	564,822
Underground storage tank	9,350	0	9,350
Capital projects	0	1,452,342	1,452,342
Utility services	0	45,245	45,245
Total committed	574,172	3,351,202	3,925,374
Assigned:			
Future Encumbrances	765,905	0	765,905
Budgetary Resources	2,120,772	0	2,120,772
Total assigned	2,886,677	0	2,886,677
Unassigned (deficit)	5,353,572	(121,424)	5,232,148
Total fund balances	\$8,949,058	\$8,763,518	\$17,712,576

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2021

Note 21 – Tax Abatements

As December 31, 2021, the City had \$58,475 in taxes abated per CRA agreement.

Note 22 – Implementation of New Accounting Principles

For fiscal year 2021, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period and GASB Statement No. 98, The Annual Comprehensive Financial Report.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. Interest costs incurred before the end of a construction period are recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. In Financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

Note 23 – COVID-19

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

REQUIRED SUPPLEMENTARY INFORMATION

City of Macedonia, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share
 of the Net Pension Liability
 OPERS - Traditional Plan
 Last Eight Fiscal Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.02427300%	0.02627200%	0.02554100%	0.02584800%	0.02617800%	0.02360200%	0.02391200%	0.02391200%
City's Proportionate Share of the Net Pension Liability	\$3,594,303	\$5,192,839	\$6,995,162	\$4,055,050	\$5,944,579	\$4,088,065	\$2,806,984	\$2,743,583
City's Covered Payroll	\$3,418,736	\$3,610,557	\$3,449,771	\$3,415,838	\$3,383,100	\$3,457,500	\$2,933,192	\$2,787,623
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	105.14%	143.82%	202.77%	118.71%	175.71%	118.24%	95.70%	98.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note- Amounts presented as of the City's measurement date which is the prior fiscal year-end.

See accompanying notes to the required supplementary information.

City of Macedonia, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share
 of the Net Pension Liability
 OP&F Pension Fund
 Last Eight Fiscal Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.15912780%	0.15329720%	0.15417300%	0.15970700%	0.14462900%	0.13528800%	0.02391120%	0.02391200%
City's Proportionate Share of the Net Pension Liability	\$10,847,885	\$10,326,918	\$12,584,591	\$9,801,940	\$9,160,656	\$8,703,172	\$6,980,575	\$6,562,714
City's Covered Payroll	\$3,827,000	\$3,804,875	\$3,881,037	\$3,870,684	\$3,463,626	\$2,632,917	\$2,812,122	\$1,925,749
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	283.46%	271.41%	324.26%	253.24%	264.48%	330.55%	248.23%	340.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.65%	69.89%	63.07%	70.91%	68.36%	66.77%	72.20%	73.00%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note- Amounts presented as of the City's measurement date which is the prior fiscal year-end.

See accompanying notes to the required supplementary information.

City of Macedonia, Ohio
 Required Supplementary Information
 Schedule of City Contributions
 for Net Pension Liability
 OPERS - Traditional Plan
 Last Eight Fiscal Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$510,596	\$478,623	\$505,478	\$482,968	\$444,059	\$405,972	\$414,900	\$351,983
Contributions in Relation to the Contractually Required Contribution	<u>(510,596)</u>	<u>(478,623)</u>	<u>(505,478)</u>	<u>(482,968)</u>	<u>(444,059)</u>	<u>(405,972)</u>	<u>(414,900)</u>	<u>(351,983)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$3,647,114	\$3,418,736	\$3,610,557	\$3,449,771	\$3,415,838	\$3,383,100	\$3,457,500	\$2,933,192
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

See accompanying notes to the required supplementary information.

City of Macedonia, Ohio
 Required Supplementary Information
 Schedule of City Contributions
 for Net Pension Liability
 OP&F Pension Fund
 Last Eight Fiscal Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$897,993	\$815,002	\$803,970	\$737,397	\$735,430	\$658,089	\$528,953	\$572,548
Contributions in Relation to the Contractually Required Contribution	<u>(897,993)</u>	<u>(815,002)</u>	<u>(803,970)</u>	<u>(737,397)</u>	<u>(735,430)</u>	<u>(658,089)</u>	<u>(528,953)</u>	<u>(572,548)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$4,233,819	\$3,827,000	\$3,804,875	\$3,881,037	\$3,870,684	\$3,463,626	\$2,632,917	\$2,812,122
Contributions as a Percentage of Covered Payroll	21.21%	21.29%	21.13%	19.00%	19.00%	19.00%	20.09%	20.36%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

See accompanying notes to the required supplementary information.

City of Macedonia, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share
 of the Net OPEB Liability
 OPERS - Traditional Plan
 Last Five Fiscal Years (1)

	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.02344200%	0.02507900%	0.02424900%	0.02459000%	0.02489388%
City's Proportionate Share of the Net OPEB Liability (Asset)	(\$417,638)	\$3,464,061	\$3,161,497	\$2,670,293	\$2,514,366
City's Covered Payroll	\$3,418,736	\$3,610,557	\$3,449,771	\$3,415,838	\$3,383,100
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	-12.22%	95.94%	91.64%	78.17%	74.32%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	47.80%	46.33%	54.14%	54.04%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note - Amounts presented as of the City's measurement date which is the prior fiscal year-end.

See accompanying notes to the required supplementary information.

City of Macedonia, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share
 of the Net OPEB Liability
 OP&F Pension Fund
 Last Five Fiscal Years (1)

	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.15912780%	0.15329720%	0.15417300%	0.15970700%	0.14462900%
City's Proportionate Share of the Net OPEB Liability	\$1,685,985	\$1,514,229	\$1,403,982	\$9,048,775	\$6,865,213
City's Covered Payroll	\$3,827,000	\$3,804,875	\$3,881,037	\$3,870,684	\$3,463,626
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	44.06%	39.80%	36.18%	233.78%	198.21%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	45.42%	69.89%	46.57%	14.13%	15.96%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note - Amounts presented as of the City's measurement date which is the prior fiscal year-end.

See accompanying notes to the required supplementary information.

City of Macedonia, Ohio
 Required Supplementary Information
 Schedule of City Contributions to OPEB
 OPERS - Traditional Plan
 Last Six Fiscal Years (1)

	2021	2020	2019	2018	2017	2016
Contractually Required Contribution to OPEB	\$0	\$0	\$0	\$0	\$0	\$0
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$3,647,114	\$3,418,736	\$3,610,557	\$3,449,771	\$3,415,838	\$3,383,100
Contributions to OPEB as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

City of Macedonia, Ohio
 Required Supplementary Information
 Schedule of City Contributions to OPEB
 OP&F Pension Fund
 Last Six Fiscal Years (1)

	2021	2020	2019	2018	2017	2016
Contractually Required Contribution to OPEB	\$21,031	\$19,136	\$18,866	\$17,344	\$17,483	\$13,048
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>(21,031)</u>	<u>(19,136)</u>	<u>(18,866)</u>	<u>(17,344)</u>	<u>(17,483)</u>	<u>(13,048)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$4,233,819	\$3,827,000	\$3,804,875	\$3,881,037	\$3,870,684	\$3,463,626
Contributions to OPEB as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.45%	0.45%	0.38%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

City of Macedonia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2021

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Property Taxes	\$1,941,930	\$2,049,653	\$1,984,271	(\$65,382)
Income Taxes	9,554,472	10,084,480	9,762,794	(321,686)
Charges for Services	2,361,398	2,492,390	2,412,885	(79,505)
Investment Earnings	16,801	17,733	17,167	(566)
Intergovernmental	1,015,014	1,071,319	1,037,145	(34,174)
Special Assessments	101	106	103	(3)
Fines, Licenses & Permits	336,050	354,691	343,377	(11,314)
Other Revenues	239,849	253,154	245,079	(8,075)
Total Revenues	15,465,615	16,323,526	15,802,821	(520,705)
Expenditures:				
Current:				
General Government	3,801,168	3,927,508	3,624,331	303,177
Public Safety	8,647,426	8,934,842	8,245,133	689,709
Community Environment	411,626	425,307	392,476	32,831
Basic Utility Service	91,932	94,987	87,655	7,332
Public Health and Welfare	231,140	238,822	220,387	18,435
Total Expenditures	13,183,292	13,621,466	12,569,982	1,051,484
Excess of Revenues Over (Under) Expenditures	2,282,323	2,702,060	3,232,839	530,779
Other Financing Sources (Uses):				
Transfers (Out)	(2,973,324)	(3,072,149)	(2,835,000)	237,149
Total Other Financing Sources (Uses)	(2,973,324)	(3,072,149)	(2,835,000)	237,149
Net Change in Fund Balance	(691,001)	(370,089)	397,839	767,928
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	3,980,239	3,980,239	3,980,239	0
Fund Balance End of Year	\$3,289,238	\$3,610,150	\$4,378,078	\$767,928

See accompanying notes to the required supplementary information.

City of Macedonia
Summit County, Ohio
Notes to the Required Supplementary Information
For The Year Ended December 31, 2021

Note 1 - Budgetary Process

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The schedule of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to restricted, assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the budgetary basis schedule to the GAAP basis statements (as reported in the fund financial statements) for all governmental funds for which a budgetary basis schedule is presented:

<u>Net Change in Fund Balance</u>	
	<u>General</u>
GAAP basis	\$1,539,874
Net adjustment for revenue accruals	(1,004,075)
Net adjustment for expenditure accruals	538,324
Transfers In	0
Transfers (Out)	(240,000)
Advances (Out)	0
Adjustment for encumbrances	<u>(436,284)</u>
Budget basis	<u>\$397,839</u>

**City of Macedonia
Summit County, Ohio
Notes to the Required Supplementary Information
For The Year Ended December 31, 2021**

Certain funds that are legally budgeted in other funds are considered part of the general fund on a GAAP basis.

Note 2 – Net Pension Liability

Ohio Public Employees Retirement System Changes in Benefit Terms and Assumptions

Changes in assumptions:

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

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

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

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

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

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

Changes in benefit terms:

2021-2014: There were no changes in benefit terms for this period.

Ohio Police and Fire Pension Fund Changes in Benefit Terms and Assumptions

Changes in assumptions:

2021-2019: There have been no OP&F pension plan amendments adopted or changes in assumptions used in the calculation of actuarial determined contributions.

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

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

**City of Macedonia
Summit County, Ohio
Notes to the Required Supplementary Information
For The Year Ended December 31, 2021**

- Inflation component reduced from 3.25% to 2.75%

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

Changes in benefit terms:

2021-2014: There were no changes in benefit terms for the period.

Note 3 - Net OPEB Liability (Asset)

Ohio Public Employees Retirement System Changes in Benefit Terms and Assumptions

Changes in assumptions:

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

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

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

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

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

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

2018: The single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Benefit Terms:

2021: There were no changes in benefit terms for the period.

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

City of Macedonia
Summit County, Ohio
Notes to the Required Supplementary Information
For The Year Ended December 31, 2021

2019-2018: There were no changes in benefit terms for the period..

Ohio Police and Fire Pension Fund Changes in Benefit Terms and Assumptions

Changes in assumptions:

2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions. The single discount rate changed from 3.56% to 2.96%.

2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions. The single discount rate changed from 4.66% to 3.56%.

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

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

Changes in benefit terms:

2021-2020: There were no changes in benefit terms for the period.

2019: See above regarding change to stipend-based model.

2018: There were no changes in benefit terms for the period.

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

City of Macedonia
Summit County
9691 Valley View Road
Macedonia, Ohio 44056

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Macedonia (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 12, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings as item 2021-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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

Plattensburg & Associates, Inc.

Plattensburg & Associates, Inc.
Cincinnati, Ohio
August 12, 2022

CITY OF MACEDONIA
SCHEDULE OF AUDIT FINDINGS
December 31, 2021

2021- 001 Finding Type — Material Weakness — Mayor’s Court Receipts

The Clerk of Court administers all court operations and coordinates court issues. The Clerk of Courts also handles all court documents and money paid to the court for fines and costs. As part of the audit we tested 44 court receipts. We noted 13 of these receipts were not deposited in the bank and no documentation could be found. The Mayor’s Court lacks proper separation of duties and proper internal control policies and procedures.

Recommendation:

We recommend the City evaluate and implement improvements to internal control policies and procedures over receipting money in the Mayor’s Court.

Management’s Response:

Management agrees and is working on this matter with the Auditor of State and Law Enforcement with an on-going investigation. The City will continue to monitor and update internal controls procedures related to receipts in the Mayor’s Court.

OHIO AUDITOR OF STATE KEITH FABER



CITY OF MACEDONIA

SUMMIT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/4/2022

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

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