CITY OF HILLSBORO
HIGHLAND COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2022

Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

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OHIO AUDITOR OF STATE
KEITH FABER

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City Council
City of Hillsboro
130 N. High St.
Hillsboro, OH 45133

We have reviewed the *Independent Auditor's Report* of the City of Hillsboro, Highland County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2022 through December 31, 2022. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery - Severance Payout

On September 16, 2021, the City of Hillsboro paid Diane Seeling, Former Clerk of Hillsboro Municipal Court. $46,266, upon separation of employment. This payout included $8,097 for unused sick leave, $6,167 for unused personal leave and $32,002 for unused vacation time.

Section 6.04 Vacation Leave, City of Hillsboro Personnel Policy, requires vacation leave to be taken within (12) months following the employee's anniversary date.

Section 6.05 Personal Leave, City of Hillsboro Personnel Policy allows for four personal days (32 hours) to be used in a calendar year.

Hillsboro City Ordinance 1997-002 allows for carry over of vacation and personal time if requested in writing to the appropriate official or written request can be made for pay out. City policy allows for payouts of vacation leave at the employee's current salary rate.

Ohio Rev. Code §1901.31(C)(1), provides a municipal court judge the authority to set the compensation for the clerk, unless the municipal court is running a deficit. Financial records of the court going back to 2018 indicate that the court has run a deficit. As such, city policy would dictate the clerk only be paid for the vacation time she accrued and did not use that year.

The sick leave and personal leave payout is appropriate under city policy, but city policy requires employees to use vacation time in a twelve-month period or lose the vacation time. Under City vacation policy, Diane Seeling should have been paid $26,212 for her unused leave balances, which resulted in an overpayment in the amount of $20,054.

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; *Cordray v. Internatl. Preparatory School*, 128 Ohio St.3d 50 (2010). City Auditor Alex Butler received or collected the money used to make the erroneous payment.

In accordance with the forgoing facts and pursuant to the Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Diane Seeling and Former City Auditor Alex Butler and his bonding company Cincinnati Insurance Company, jointly and severally, in the amount of $20,054 dollars, in favor of the City of Hillsboro's General Fund.

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 Hillsboro is responsible for compliance with these laws and regulations.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

February 05, 2024

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CERTIFIED PUBLIC ACCOUNTANT

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City Council
City of Hillsboro
130 North High Street
Hillsboro, Ohio 45133

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of Hillsboro, Highland County (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of Hillsboro, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and Street Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the net pension liability, net OPEB liability (asset) and employer contributions schedules 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 December 1, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Millhuff-Stang CPA, Inc.

Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

December 1, 2023

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

Financial Highlights

Key financial highlights for 2022 are as follows:

- In total, net position increased $3,970,060. Net position of governmental activities increased $2,428,097. Net position of business-type activities increased $1,541,963.

- Governmental activities general revenues accounted for $5,474,398 in revenue or 82 percent of all governmental activities revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $1,195,494 or 18 percent of total governmental activities revenues of $6,669,892. Business-type activities general revenues accounted for $802,758 in revenue or 14 percent of all business-type activities revenues. Program specific revenues accounted for $4,910,068 or 86 percent of total business-type activities revenues of $5,712,826.

- The City had $4,241,795 in expenses related to governmental activities; $1,195,494 of these expenses was offset by program specific charges for services and sales, grants and contributions. The City had $4,170,863 in expenses related to business-type activities; all of these expenses were offset by program specific charges for services, grants and contributions.

Using the Annual Financial Report

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

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 assets. 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 monies 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 a single column.

Reporting the City as a Whole

Statement of Net Position and Statement of Activities

While this report contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2022?" The statement of net position and the statement of activities answer this question. These statements include all assets, liabilities and deferred inflows and outflows of resources using the accrual basis of accounting similar to the accounting basis used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the change in net position. The change in net position is important because it identifies whether the financial position of the City has improved or diminished for the City as a whole. However, in evaluating the overall position of the City, nonfinancial 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.

In the statement of net position and the statement of activities, the City is divided into two types of activities:

- Governmental Activities - Most of the City's services are reported as governmental activities including police, fire, administration, and all departments with the exception of business-type activities (wastewater treatment, water services and storm sewer services).

- Business-Type Activities - These services have a charge based upon usage. The City charges fees to recoup the cost of the entire operation of the Water Plant, the Wastewater Treatment Plant, and Storm Sewer services as well as all capital expenses associated with these facilities.

Reporting the City's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents; however, fund financial statements focus on the City's most significant funds. The City of Hillsboro's major funds are the General Fund, the Street Fund, the Bond Retirement Fund and the Water, Sewer and Storm Sewer Enterprise Funds.

Governmental Funds **-** Most of the City's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the year-end balances available for spending in the future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services provided. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future on services provided to residents. The relationships between governmental activities reported in the statement of net position and the statement of activities and the governmental fund statements are reconciled in the financial statements.

Enterprise Funds **-** When the City charges customers for the services it provides, these services are generally reported in enterprise funds. Enterprise funds use the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

Fiduciary Funds **-** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the City's programs. These funds also use the accrual basis of accounting.

The City as a Whole

The statement of net position reviews the City as a whole. Table 1 provides a summary of the City's net position for 2022 compared to the prior year:

Table 1

	Governmental Activities		Business-Type Activities			Total	
	2022	2021	2022	2021		2022	2021
Assets							
Current and Other Assets	$ 7,279,635	$ 6,635,203	$ 8,789,145	$ 7,448,755		$ 16,068,780	$ 14,083,958
Capital Assets, Net	20,118,093	19,030,076	33,072,561	31,802,577		53,190,654	50,832,653
Total Assets	27,397,728	25,665,279	41,861,706	39,251,332		69,259,434	64,916,611
Deferred Outflows of Resources							
Deferred Charge on Refunding	-	-	109,672	112,915		109,672	112,915
Pensions	877,315	533,761	450,937	366,521		1,328,252	900,282
OPEB	237,253	345,008	49,885	189,231		287,138	534,239
Total Deferred Outflows of Resources	1,114,568	878,769	610,494	668,667	-	1,725,062	1,547,436
Liabilities							
Current and Other Liabilities	1,869,270	490,593	635,284	125,330		2,504,554	615,923
Long-Term Liabilites:							
Due Within One Year	104,494	414,588	928,582	945,329		1,033,076	1,359,917
Due in More Than One Year							
Net Pension Liability	2,463,031	3,238,115	743,753	1,183,515		3,206,784	4,421,630
Net OPEB Liability	316,843	319,880	-	-		316,843	319,880
Other Amounts	700,305	1,926,777	11,553,370	10,816,321		12,253,675	12,743,098
Total Liabilities	5,453,943	6,389,953	13,860,989	13,070,495		19,314,932	19,460,448
Deferred Inflows of Resources							
Property Taxes not Levied to							
Finance Current Year Operations	352,000	341,088	-	-		352,000	341,088
Pensions	1,651,035	987,380	900,979	530,245		2,552,014	1,517,625
OPEB	439,073	637,479	275,521	426,511		714,594	1,063,990
Total Deferred Inflows of Resources	2,442,108	1,965,947	1,176,500	956,756	-	3,618,608	2,922,703
Net Position							
Net Investment in							
Capital Assets	18,467,013	16,847,472	20,327,634	20,257,453		38,794,647	37,104,925
Restricted	2,366,930	2,461,243	-	-		2,366,930	2,461,243
Unrestricted (Deficit)	(217,698)	(1,120,567)	7,107,077	5,635,295		6,889,379	4,514,728
Total Net Position	$ 20,616,245	$ 18,188,148	$ 27,434,711	$ 25,892,748		$ 48,050,956	$ 44,080,896

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

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

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

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

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

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

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

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

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 77% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress and infrastructure. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Total governmental activities net position increased $2,428,097 primarily due to an increase in taxes receivable, capital assets, and deferred outflows related to pension and a decrease in net pension liabilities which were partially offset by an increase in unearned revenue and an increase in deferred inflows for pension. The changes in net pension liability, deferred outflows, and deferred inflows are primarily due to actuarial changes related to pension and OPEB. Capital assets and net investment in capital assets for the City increased primarily due to capital asset additions, which were partially offset by depreciation expense and disposals.

Business-type activities net position increased $1,541,963 primarily due to the increase in cash and cash equivalents and capital assets and an decrease in net pension liabilities which was partially offset by increases in deferred inflows of resources related to pension and increases in debt.

Table 2 shows the changes in net position for the year 2022 compared to the prior year.

Table 2
Changes in Net Position

	Governmental Activities 2022	Governmental Activities 2021	Business Type Activities 2022	Business Type Activities 2021	Total 2022	Total 2021
Revenue						
Program Revenues:						
Charges for Services and Sales	$ 519,052	$ 652,839	$ 4,457,107	$ 4,535,729	$ 4,976,159	$ 5,188,568
Operating Grants and Contributions	526,442	486,982	20,483	-	546,925	486,982
Capital Grants and Contributions	150,000	-	432,478	-	582,478	-
Total Program Revenues	1,195,494	1,139,821	4,910,068	4,535,729	6,105,562	5,675,550
General Revenues and Transfers:						
Property & Income Taxes	5,898,047	4,837,608	-	-	5,898,047	4,837,608
Unrestricted Investment Earnings	34,132	12,478	22,184	2,989	56,316	15,467
Grants and Contributions Not Restricted to Specific Programs	211,118	140,487	-	-	211,118	140,487
Miscellaneous	81,101	132,691	30,574	46,658	111,675	179,349
Transfers	(750,000)	-	750,000	-	-	-
Total General Revenues and Transfers	5,474,398	5,123,264	802,758	49,647	6,277,156	5,172,911
Total Revenues and Transfers	6,669,892	6,263,085	5,712,826	4,585,376	12,382,718	10,848,461
Program Expenses						
General Government -						
Legislative and Executive	859,775	263,752	-	-	859,775	263,752
Judicial	289,090	220,335	-	-	289,090	220,335
Security of Persons and Property	1,636,920	2,161,292	-	-	1,636,920	2,161,292
Public Health	-	23,020	-	-	-	23,020
Leisure Time Activities	114,517	116,891	-	-	114,517	116,891
Community Environment	81,374	483,445	-	-	81,374	483,445
Transportation	1,169,700	1,113,841	-	-	1,169,700	1,113,841
Interest and Fiscal Charges	25,394	35,302	-	-	25,394	35,302
Contributions to Hillsboro CIC	56,600	67,006	-	-	56,600	67,006
Issuance Costs	8,425	-	-	-	8,425	-
Water Fund	-	-	1,468,901	1,096,772	1,468,901	1,096,772
Storm Sewer Maintenance and Repair	-	-	593,251	403,747	593,251	403,747
Sewer Fund	-	-	2,108,711	1,577,361	2,108,711	1,577,361
Total Expenses	4,241,795	4,484,884	4,170,863	3,077,880	8,412,658	7,562,764
Increase in Net Position	2,428,097	1,778,201	1,541,963	1,507,496	3,970,060	3,285,697
Beginning Net Position	18,188,148	16,409,947	25,892,748	24,385,252	44,080,896	40,795,199
Ending Net Position	$ 20,616,245	$ 18,188,148	$ 27,434,711	$ 25,892,748	$ 48,050,956	$ 44,080,896

Governmental Activities

Governmental activities net position increased $2,428,097 or 13% during 2022. Charges for Services revenue decreased primarily due to decreases in licenses and permits and fines and forfeitures in 2022. These decreases were primarily due to a fluctuation in activity. Operating grants increased due to a slight increase in grants during the fiscal year. Capital Grants and Contributions increased slightly due to a slight increase in construction activity in 2022. Overall expenses decreased due to reductions in pension and OPEB expenses due to actuarial calculations as well as less expenses required to deal with COVID-19 pandemic related costs.

General revenues primarily consist of property and income tax revenue of $5,898,047, which is 95% of total general revenues in 2022, excluding transfers. General government expenses include legislative and executive and judicial programs, totaled $1,148,865, which is 27% of total governmental expenses. Security of persons and property is one of the major activities of the City, totaling $1,636,920 comprising 39% of total expenses. Transportation expenses totaled $1,169,700, which is 28% of total governmental expenses.

Business-Type Activities

The City's business-type activities are its water, sewer and storm sewer maintenance and repair departments. The water and wastewater treatment plants provide services to the City's residents. The water operation generated operating revenues of $1,773,097 and had operating expenses of $1,292,446, interest expense of $73,200. The sewer operations generated operating revenues of $2,218,746, had operating expenses of $1,783,277, and had interest expense of $39,845. The storm sewer operations generated operating revenues of $465,264 and had operating expenses of $581,857. Operating revenues remained stable between the two years. Fringe benefit expenses in the Water and Sewer activities increased in 2022 due to increased pension and OPEB expenses due to changes in actuarial calculations. The storm sewer expenses increased in 2022 due to Salaries and Wages and Fringe Benefits. The City's goal is to cover the costs of operations as well as to build the cash balance in these funds. The City is also generating funds for additional capital expansion to ensure continued capacity and capacity improvements for future growth and development.

The City's Funds

Information about the City's major funds starts on page 14. Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of $8,896,603 and expenditures and other financing uses of $10,165,957. The net change in fund balance for the year was most significant in the General Fund with a decrease of $1,161,100. The General Fund expenditures and transfers out exceeded revenues from 2021 to 2022. The Street Fund had an increase in fund balance of $192,034 in 2022. The increase was due mainly to a transfer in from the General Fund in the amount of $340,810. The Bond Retirement Fund had a decrease in fund balance of $323,583 due to principal retirements.

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.

During the course of 2022, the City amended its General Fund budget. With the General Fund supporting many of the major activities such as the City's police department, as well as most general government activities, the General Fund is monitored closely to prevent possible revenue shortfalls or overspending by individual departments.

For the General Fund, original and final budgeted revenues and other financing sources were $4,706,050 and $5,913,710, respectively. The City's actual revenues and other financing sources were $2,386,253 more than the final budgeted revenues and other financing sources due primarily to higher taxes and notes issued. Original and final budgeted expenditures and other financing uses were $5,913,236, and $8,716,456, respectively.

The General Fund's actual expenditures were $1,195,115 less than final budgeted expenditures mainly due to conservative budgeting by the City.

Capital Assets and Debt Administration

Capital Assets

At the end of the 2022 the City had $53,190,654 invested in land, land improvements, construction in progress, buildings and improvements, furniture and equipment, vehicles, and infrastructure. Table 3 shows 2022 and 2021 balances.

Table 3
Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	$ 2,324,432	$ 940,307	$ 10,460	$ 10,460	$ 2,334,892	$ 950,767
Land Improvements	1,283,072	1,238,481	59,716	68,501	1,342,788	1,306,982
Buildings and Improvements	2,812,075	2,876,451	23,826,466	24,298,338	26,638,541	27,174,789
Furniture and Equipment	622,022	453,234	550,240	500,194	1,172,262	953,428
Vehicles	313,161	244,577	767,192	680,471	1,080,353	925,048
Infrastructure/Water & Sewer Lines	12,697,523	13,265,826	5,296,348	5,624,190	17,993,871	18,890,016
Construction in Progress	65,808	11,200	2,562,139	620,423	2,627,947	631,623
Totals	$ 20,118,093	$ 19,030,076	$ 33,072,561	$ 31,802,577	$ 53,190,654	$ 50,832,653

See Note 13 for additional information on the City's capital assets.

Debt

At December 31, 2022, the City of Hillsboro had $12,831,164 in bonds, loans, and financed purchases outstanding, $1,033,076 was due within one year. These amounts exclude any premiums outstanding on bonds as of December 31, 2022.

Table 4
Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
O.W.D.A. Loan	$ -	$ -	$ 7,045,080	$ 6,248,788	$ 7,045,080	$ 6,248,788
Financed Purchase	82,142	63,618	348,175	67,548	430,317	131,166
OPWC Loan	294,772	354,311	607,483	687,887	902,255	1,042,198
General Obligation Refunding Bonds	-	-	1,936,000	2,141,000	1,936,000	2,141,000
Various Purpose GO Refunding Bonds	210,000	220,000	2,155,000	2,215,000	2,365,000	2,435,000
GO Refunding and Improvement Bonds	-	1,480,000	-	-	-	1,480,000
Installment Loan	38,128	46,879	114,384	140,637	152,512	187,516
Total	$ 625,042	$ 2,164,808	$ 12,206,122	$ 11,500,860	$ 12,831,164	$ 13,665,668

The City's overall legal debt margin was $14,940,902 at December 31, 2022.

See Note 14 for additional information about the City's debt.

The Future

The City of Hillsboro continues to work diligently to increase revenues and decrease costs to put the City on more stable footing. The City has continued to grow with new homes constructed annually, and several new commercial facilities opened with more planned for the future.

The City of Hillsboro has committed itself to financial excellence in the coming years. Our commitment to the residents of the City of Hillsboro will be full disclosure of the financial position of the City.

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 to reflect the City's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Dawson Barreras, City Auditor, 130 North High Street, Hillsboro, Ohio 45133, (937) 393-5791.

City of Hillsboro
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-Type Activities	Totals	Component Unit Hillsboro CIC
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	$ 4,870,325	$ 7,881,015	$ 12,751,340	$ -
Cash and Cash Equivalents with Fiscal Agent	175,810	-	175,810	-
Cash and Cash Equivalents in Segregated Accounts	-	-	-	35,541
Receivables:				
Taxes	1,561,546	-	1,561,546	-
Accounts	79,796	654,012	733,808	-
Due from Other Governments	250,407	-	250,407	-
Loans Receivable	117,213	-	117,213	-
Net OPEB Asset (See Note 10)	224,538	254,118	478,656	-
Non-Depreciable Capital Assets	2,390,240	2,572,599	4,962,839	-
Depreciable Capital Assets, Net	17,727,853	30,499,962	48,227,815	-
Assets Held for Resale	-	-	-	56,600
Total Assets	27,397,728	41,861,706	69,259,434	92,141
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Charge on Debt Refunding	-	109,672	109,672	-
Pension	877,315	450,937	1,328,252	-
OPEB	237,253	49,885	287,138	-
Total Deferred Outflows of Resources	1,114,568	610,494	1,725,062	-
LIABILITIES:				
Accounts Payable	38,015	42,588	80,603	-
Accrued Wages and Benefits	85,191	62,318	147,509	-
Contracts Payable	7,233	421,652	428,885	-
Due to Other Governments	40,295	24,642	64,937	-
Retainage Payable	-	76,334	76,334	-
Note Payable	1,009,000	-	1,009,000	-
Unearned Revenue	689,279	-	689,279	-
Accrued Interest Payable	257	7,750	8,007	-
Long-Term Liabilities:				
Due Within One Year	104,494	928,582	1,033,076	-
Due in More than One Year:				
Net Pension Liability (See Note 9)	2,463,031	743,753	3,206,784	-
Net OPEB Liability (See Note 10)	316,843	-	316,843	-
Other Amounts Due in More than One Year	700,305	11,553,370	12,253,675	-
Total Liabilities	5,453,943	13,860,989	19,314,932	-
DEFERRED INFLOWS OF RESOURCES:				
Property Taxes not Levied to Finance Current Year Operations	352,000	-	352,000	-
Pension	1,651,035	900,979	2,552,014	-
OPEB	439,073	275,521	714,594	-
Total Deferred Inflows of Resources	2,442,108	1,176,500	3,618,608	-
NET POSITION:				
Net Investment in Capital Assets	18,467,013	20,327,634	38,794,647	-
Restricted for:				
Capital Projects	100,734	-	100,734	-
Debt Service	8,564	-	8,564	-
Street	1,058,094	-	1,058,094	-
Recreation	139,253	-	139,253	-
Revolving Loan	188,754	-	188,754	-
American Rescue Plan Act	74	-	74	-
Other Purposes	871,457	-	871,457	-
Unrestricted (Deficit)	(217,698)	7,107,077	6,889,379	92,141
Total Net Position	$ 20,616,245	$ 27,434,711	$ 48,050,956	$ 92,141

See accompanying notes to the basic financial statements.

City of Hillsboro
Statement of Activities
For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Totals	Component Unit: Hillsboro CIC
Governmental Activities:								
General Government:								
Legislative and Executive	$ 859,775	$ 115,248	$ -	$ -	$ (744,527)		$ (744,527)	$ -
Judicial	289,090	173,617	-	-	(115,473)		(115,473)	-
Security of Persons and Property	1,636,920	188,483	41,649	150,000	(1,256,788)		(1,256,788)	-
Leisure Time Activities	114,517	-	-	-	(114,517)		(114,517)	-
Community Environment	81,374	6,985	-	-	(74,389)		(74,389)	-
Transportation	1,169,700	34,719	484,793	-	(650,188)		(650,188)	-
Contributions to Hillsboro CIC	56,600	-	-	-	(56,600)		(56,600)	-
Interest and Fiscal Charges	25,394	-	-	-	(25,394)		(25,394)	-
Issuance Costs	8,425	-	-	-	(8,425)		(8,425)	
Total Governmental Activities	4,241,795	519,052	526,442	150,000	(3,046,301)		(3,046,301)	-
Business-Type Activities:								
Sewer	2,108,711	2,218,746	-	432,478	-	542,513	542,513	-
Storm Sewer Maintenance and Repair	593,251	465,264	-	-	-	(127,987)	(127,987)	-
Water	1,468,901	1,773,097	20,483	-	-	324,679	324,679	-
Total Business-Type Activities	4,170,863	4,457,107	20,483	432,478	-	739,205	739,205	-
Total Primary Government	$ 8,412,658	$ 4,976,159	$ 546,925	$ 582,478	(3,046,301)	739,205	(2,307,096)	-
Component Unit:								
Hillsboro Community Improvement Corporation	337	-	-	-				(337)
Total Component Unit	$ 337	$ -	$ -	$ -				(337)
General Revenues:								
Taxes:								
Property Taxes Levied for:								
General Purposes					397,664	-	397,664	-
Special Purposes					79,888	-	79,888	-
Debt Service					39,944	-	39,944	-
Capital Projects					62,654	-	62,654	-
Income Taxes					5,317,897	-	5,317,897	-
Grants and Contributions								
Not Restricted to Specific Programs					211,118	-	211,118	-
Contributions from City					-	-	-	56,600
Unrestricted Investment Earnings					34,132	22,184	56,316	-
Miscellaneous					81,101	30,574	111,675	-
Transfers					(750,000)	750,000	-	-
Total General Revenues					5,474,398	802,758	6,277,156	56,600
Change in Net Position					2,428,097	1,541,963	3,970,060	56,263
Net Position, Beginning of the Year-As Restated					18,188,148	25,892,748	44,080,896	35,878
Net Position, End of the Year					$ 20,616,245	$ 27,434,711	$ 48,050,956	$ 92,141

See accompanying notes to the basic financial statements.

City of Hillsboro
Balance Sheet
Governmental Funds
December 31, 2022

	General	Street	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	$ 2,298,061	$ 730,344	$ 5,266	$ 1,836,654	$ 4,870,325
Cash and Cash Equivalants with Fiscal Agent	-	175,810		-	175,810
Accounts Receivable	56,313	-	-	23,483	79,796
Taxes Receivable	259,087	-	36,236	69,472	364,795
Income Taxes Receivable	1,196,751	-		-	1,196,751
Due from Other Governments	30,749	170,736	2,062	46,860	250,407
Loans Receivable	-	-	-	117,213	117,213
Total Assets	$ 3,840,961	$ 1,076,890	$ 43,564	$ 2,093,682	$ 7,055,097
LIABILITIES:					
Accounts Payable	$ 14,919	$ 8,087	$ -	$ 15,009	$ 38,015
Contracts Payable	5,367	1,866	-	-	7,233
Accrued Wages and Benefits	76,557	6,422	-	2,212	85,191
Note Payable	1,009,000	-	-	-	1,009,000
Due to Other Governments	17,964	2,421	-	19,910	40,295
Unearned Revenue	-	-	-	689,279	689,279
Total Liabilities	1,123,807	18,796	-	726,410	1,869,013
DEFERRED INFLOWS OF RESOURCES:					
Property Taxes not Levied to Finanace Current Year Operations	250,000	-	35,000	67,000	352,000
Unavailable Revenue - Delinquent Taxes	9,087	-	1,236	2,472	12,795
Unavailable Revenue - Income Taxes	697,752	-	-	-	697,752
Unavailable Revenue - Grants	24,880	113,824	2,062	36,778	177,544
Total Deferred Inflows of Resources	981,719	113,824	38,298	106,250	1,240,091
FUND BALANCES:					
Nonspendable	28,513	-	-	-	28,513
Restricted	-	944,270	5,266	1,261,022	2,210,558
Assigned	1,706,922	-	-	-	1,706,922
Total Fund Balances	1,735,435	944,270	5,266	1,261,022	3,945,993
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,840,961	$ 1,076,890	$ 43,564	$ 2,093,682	$ 7,055,097

See accompanying notes to the basic financial statements.

City of Hillsboro
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2022

Total Governmental Fund Balances		$ 3,945,993
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.		20,118,093
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	710,547	
Intergovernmental	177,544	
Total		888,091
The net pension and OPEB liabilities (assets) are not due and payable in the current period: therefore, the liabilities, assets and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	877,315	
Deferred Outflows - OPEB	237,253	
Deferred Inflows - Pension	(1,651,035)	
Deferred Inflows - OPEB	(439,073)	
Net OPEB Asset	224,538	
Net Pension Liability	(2,463,031)	
Net OPEB Liability	(316,843)	
Total		(3,530,876)
Long-term liabilities, including accrued interest payable, bonds, loans, financed purchase obligations, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Interest Payable	(257)	
Finance Purchases Payable	(82,142)	
Compensated Absences	(162,719)	
Installment Loan Payable	(38,128)	
OPWC Loans Payable	(294,772)	
General Obligation Bonds	(210,000)	
Premium on Bonds	(17,038)	
Total		(805,056)
Net Position of Governmental Activities		$ 20,616,245

See accompanying notes to the basic financial statements.

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

	General	Street	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	$ 5,299,000	$ -	$ 39,508	$ 141,670	$ 5,480,178
Charges for Services	2	-	-	-	2
Licenses and Permits	97,644	32,115	-	2,604	132,363
Fines and Forfeitures	251,590	-	-	135,097	386,687
Intergovernmental	197,483	434,364	3,896	87,603	723,346
Interest	89,659	6,539	-	5,372	101,570
Contributions and Donations	150,000	-	-	-	150,000
Increase(Decrease) in fair value of investments	(67,438)	-	-	-	(67,438)
Other	58,669	-	-	22,432	81,101
Total Revenues	6,076,609	473,018	43,404	394,778	6,987,809
EXPENDITURES:					
Current:					
General Government:					
Legislative and Executive	1,030,582	-	-	20	1,030,602
Judicial	356,944	-	-	21,077	378,021
Security of Persons and Property	1,649,893	-	-	192,243	1,842,136
Leisure Time Activities	90	-	-	99,045	99,135
Community Environment	55,672	-	-	160	55,832
Transportation	-	315,826	-	59,694	375,520
Capital Outlay	1,661,520	355,319	-	132,243	2,149,082
Debt Service:					
Principal Retirements	42,186	30,182	1,539,539	10,001	1,621,908
Interest and Fiscal Charges	3,587	2,609	22,448	-	28,644
Issuance Costs	8,425	-	-	-	8,425
Total Expenditures	4,808,899	703,936	1,561,987	514,483	7,589,305
Excess of Revenues Over (Under) Expenditures	1,267,710	(230,918)	(1,518,583)	(119,705)	(601,496)
OTHER FINANCING SOURCES AND USES:					
Transfers In	37,000	340,810	1,195,000	253,842	1,826,652
Financed Purchase Proceeds	-	82,142	-	-	82,142
Transfers Out	(2,465,810)	-	-	(110,842)	(2,576,652)
Total Other Financing Sources and Uses	(2,428,810)	422,952	1,195,000	143,000	(667,858)
Net Change in Fund Balances	(1,161,100)	192,034	(323,583)	23,295	(1,269,354)
Fund Balance at Beginning of Year - As Restated	2,896,535	752,236	328,849	1,237,727	5,215,347
Fund Balance at End of Year	$ 1,735,435	$ 944,270	$ 5,266	$ 1,261,022	$ 3,945,993

See accompanying notes to the basic financial statements.

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

Net Change in Fund Balances - Total Governmental Funds		$ (1,269,354)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.		
Capital Asset Additions	2,100,063	
Current Year Depreciation	(1,009,204)	
Total		1,090,859
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.		
Loss on Disposal of Capital Assets	(2,842)	
Total		(2,842)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	417,869	
Intergovernmental	14,214	
Total		432,083
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	326,063	
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	4,086	
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	128,920	
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.	179,223	
Total		638,292
Repayments of long-term debt and capital leases are expenditures in governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.		
Bond Payments	1,490,000	
Amortization on premium	757	
Financed Purchase/Installment Loan	72,369	
OPWC Loans	59,539	
Total		1,622,665
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.		
Decrease in Compensated Absences	(3,957)	
Decrease in Accrued Interest Payable	2,493	
Total		(1,464)
Proceeds from the issuance of a financed purchase in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.		(82,142)
Net Change in Net Position of Governmental Activities		$ 2,428,097

See accompanying notes to the basic financial statements.

City of Hillsboro
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes	$ 4,175,250	$ 4,175,250	$ 5,293,131	$ 1,117,881
Charges for Services	100	100	2	(98)
Licenses and Permits	108,900	108,900	97,644	(11,256)
Fines and Forfeitures	225,500	225,500	249,425	23,925
Intergovernmental	122,800	122,800	197,119	74,319
Interest	12,000	12,000	89,659	77,659
Other	24,500	24,500	127,748	103,248
Total Revenues	4,669,050	4,669,050	6,054,728	1,385,678
EXPENDITURES:				
Current:				
General Government:				
Legislative and Executive	1,619,111	1,617,793	1,141,767	476,026
Judicial	496,775	503,300	349,250	154,050
Security of Persons and Property	1,982,262	2,234,758	1,761,744	473,014
Public Health	23,500	23,500	-	23,500
Community Environment	135,435	215,142	100,844	114,298
Capital Outlay	1,656,153	1,656,153	1,656,153	-
Debt Service				
Principal Retirements	-	-	42,186	(42,186)
Interest and Fiscal Charges	-	-	3,587	(3,587)
Total Expenditures	5,913,236	6,250,646	5,055,531	1,195,115
Excess of Revenues Over (Under) Expenditures	(1,244,186)	(1,581,596)	999,197	2,580,793
OTHER FINANCING SOURCES AND USES:				
Transfers In	37,000	37,000	37,000	-
Notes Issued	-	-	1,000,575	1,000,575
Transfers Out	-	(2,465,810)	(2,465,810)	-
Total Other Financing Sources and Uses	37,000	(2,428,810)	(1,428,235)	1,000,575
Net Change in Fund Balance	(1,207,186)	(4,010,406)	(429,038)	3,581,368
Fund Balance at Beginning of Year	2,051,993	2,051,993	2,051,993	-
Prior Year Encumbrances Appropriated	378,024	378,024	378,024	-
Fund Balance at End of Year	$ 1,222,831	$ (1,580,389)	$ 2,000,979	$ 3,581,368

See accompanying notes to the basic financial statements.

City of Hillsboro
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
Street Fund
For the Year Ended December 31, 2022

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Licenses and Permits	$ 35,000	$ 35,000	$ 32,115	$ (2,885)
Intergovernmental	243,000	243,000	339,717	96,717
Interest	500	500	6,539	6,039
Total Revenues	278,500	278,500	378,371	99,871
EXPENDITURES:				
Current:				
Transportation	447,214	769,005	514,131	254,874
Capital Outlay	271,311	271,311	271,311	-
Debt Service				
Principal Retirements	-	-	30,182	(30,182)
Interest and Fiscal Charges	-	-	2,609	(2,609)
Total Expenditures	718,525	1,040,316	818,233	222,083
Excess of Revenues Under Expenditures	(440,025)	(761,816)	(439,862)	321,954
OTHER FINANCING SOURCES:				
Transfers In	165,000	165,000	340,810	175,810
Total Other Financing Sources	165,000	165,000	340,810	175,810
Net Change in Fund Balance	(275,025)	(596,816)	(99,052)	497,764
Fund Balance at Beginning of Year	596,445	596,445	596,445	-
Prior Year Encumbrances Appropriated	97,829	97,829	97,829	-
Fund Balance at End of Year	$ 419,249	$ 97,458	$ 595,222	$ 497,764

See accompanying notes to the basic financial statements.

City of Hillsboro
Statement of Net Position
Proprietary Funds
December 31, 2022

	Water	Sewer	Storm Sewer	Total
ASSETS:				
Current Assets				
Equity in Pooled Cash				
and Cash Equivalents	$ 1,984,353	$ 4,538,190	$ 1,358,472	$ 7,881,015
Accounts Receivable	256,416	328,379	69,217	654,012
Total Current Assets	2,240,769	4,866,569	1,427,689	8,535,027
Noncurrent Assets				
Net OPEB Asset	109,708	100,422	43,988	254,118
Non-Depreciable Capital Assets	1,496,007	7,096	1,069,496	2,572,599
Depreciable Capital Assets, Net	6,541,962	22,648,315	1,309,685	30,499,962
Total Noncurrent Assets	8,147,677	22,755,833	2,423,169	33,326,679
Total Assets	$ 10,388,446	$ 27,622,402	$ 3,850,858	41,861,706
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Charge on Refunding	109,672	-	-	109,672
Pensions	167,980	157,837	125,120	450,937
OPEB	13,743	11,707	24,435	49,885
Total Deferred Outflows of Resources	291,395	169,544	149,555	610,494
LIABILITIES:				
Current Liabilities				
Accounts Payable	$ 11,731	$ 27,309	$ 3,548	$ 42,588
Accrued Wages and Benefits	28,964	22,692	10,662	62,318
Due to Other Governments	11,055	9,329	4,258	24,642
Accrued Interest Payable	7,750	-	-	7,750
Contracts Payable	38,698	1,866	381,088	421,652
Compensated Absences - Current Portion	91	91	-	182
Installment Loan - Current Portion	9,053	9,053	9,053	27,159
Financed Purchases - Current Portion	35,280	35,280	10,337	80,897
OWDA Loans - Current Portion	-	508,142	-	508,142
Retainage Payable	-	-	76,334	76,334
General Obligation Refunding Bonds Payable - Current Portion	207,000	-	-	207,000
OPWC Loans - Current Portion	-	40,202	-	40,202
General Obligation Refunding and				
Improvement Bonds - Current Portion	65,000	-	-	65,000
Total Current Liabilities	414,622	653,964	495,280	1,563,866
Noncurrent Liabilities				
Long Term Liablities:				
OWDA Loans Payable - Net of Current Portion	1,397,485	4,919,973	219,480	6,536,938
Installment Loan - Net of Current Portion	29,075	29,075	29,075	87,225
Financed Purchase - Net of Current Portion	97,737	97,737	71,804	267,278
Compensated Absences Payable - Net of Current Portion	65,339	59,818	-	125,157
General Obligation Refunding Bonds Payable - Net of Current Portion	1,729,000	-	-	1,729,000
OPWC Loans - Net of Current Portion	-	567,281	-	567,281
General Obligation Refunding and				
Improvement Bonds - Net of Current Portion	2,240,491	-	-	2,240,491
Net Pension Liability	321,051	293,923	128,779	743,753
Total Noncurrent Liabilities	5,880,178	5,967,807	449,138	12,297,123
Total Liabilities	6,294,800	6,621,771	944,418	13,860,989
DEFERRED INFLOWS OF RESOURCES:				
Pensions	388,920	356,057	156,002	900,979
OPEB	119,011	111,061	45,449	275,521
Total Deferred Inflows of Resources	507,931	467,118	201,451	1,176,500
NET POSITION:				
Net Investment in Capital Assets	2,336,950	16,484,930	1,582,010	20,403,890
Unrestricted	1,540,160	4,218,127	1,272,534	7,030,821
Total Net Position	$ 3,877,110	$ 20,703,057	$ 2,854,544	$ 27,434,711

See accompanying notes to the basic financial statements.

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

	Water	Sewer	Storm Sewer	Total
OPERATING REVENUES				
Charges for Services	$ 1,768,097	$ 2,215,746	$ 465,264	$ 4,449,107
Tap-In Fees	5,000	3,000	-	8,000
Total Operating Revenues	1,773,097	2,218,746	465,264	4,457,107
OPERATING EXPENSES				
Salaries and Wages	655,093	600,687	264,927	1,520,707
Fringe Benefits	42,593	10,755	135,772	189,120
Contractual Services	120,198	169,745	40,690	330,633
Materials & Supplies	203,017	274,293	72,333	549,643
Depreciation Expense	271,545	727,797	68,135	1,067,477
Total Operating Expenses	1,292,446	1,783,277	581,857	3,657,580
Operating Income (Loss)	480,651	435,469	(116,593)	799,527
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	20,483	-	-	20,483
Loss on Disposal of Capital Assets	(103,255)	(285,589)	-	(388,844)
Interest	-	22,184	-	22,184
Other Non-Operating Revenues	23,511	5,510	1,553	30,574
Interest and Fiscal Charges	(73,200)	(39,845)	(11,394)	(124,439)
Total Nonoperating Revenues (Expenses)	(132,461)	(297,740)	(9,841)	(440,042)
Changes in Net Position Before Transfers and Capital Contributions	348,190	137,729	(126,434)	359,485
Capital Contributions from Other Governments	-	-	432,478	432,478
Transfers In	-	-	817,000	817,000
Transfers Out	-	(67,000)	-	(67,000)
Total Transfers	-	(67,000)	1,249,478	1,182,478
Changes in Net Postion	348,190	70,729	1,123,044	1,541,963
Net Position at Beginning of Year	3,528,920	20,632,328	1,731,500	25,892,748
Net Position at End of Year	$ 3,877,110	$ 20,703,057	$ 2,854,544	$ 27,434,711

See accompanying notes to the basic financial statements.

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

	Water	Sewer	Storm Sewer	Total
Increase (Decrease) in Cash and Cash Equivalents:				
Cash Flows from Operating Activities:				
Cash Received from Customers	$ 1,777,255	$ 2,231,453	$ 464,767	$ 4,473,475
Cash Payments to Suppliers for Goods and Services	(321,757)	(439,149)	(116,022)	(876,928)
Cash Payments to Employees for Services and Benefits	(850,926)	(761,556)	(335,192)	(1,947,674)
Net Cash Provided by Operating Activities	604,572	1,030,748	13,553	1,648,873
Cash Flows from Noncapital Financing Activities:				
Transfers Out	-	(67,000)	-	(67,000)
Transfers In	-	-	817,000	817,000
Grants Received	20,483	-	-	20,483
Other Nonoperating Receipts	23,511	5,510	1,553	30,574
Capital Grants Received	-	-	432,478	432,478
Net Cash Provided by (Used for) Noncapital Financing Activities	43,994	(61,490)	1,251,031	1,233,535
Cash Flows from Capital and Related Financing Activities:				
Proceeds from OWDA Loan	934,988	-	176,595	1,111,583
Proceeds from Installment Loans	133,017	133,017	82,141	348,175
Payments for Capital Acquisitions	(1,179,158)	(389,134)	(660,027)	(2,228,319)
Principal Payments	(338,952)	(398,722)	(16,821)	(754,495)
Interest Payments	(92,308)	(39,845)	(11,394)	(143,547)
Net Cash Used for Capital and Related Financing Activities	(542,413)	(694,684)	(429,506)	(1,666,603)
Cash Flows from Investing Activities:				
Interest on Investments	-	22,184	-	22,184
Net Cash Provided by Investing Activities	-	22,184	-	22,184
Net Increase in Cash and Cash Equivalents	106,153	296,758	835,078	1,237,989
Cash and Cash Equivalents at Beginning of Year	1,878,200	4,241,432	523,394	6,643,026
Cash and Cash Equivalents at End of Year	$ 1,984,353	$ 4,538,190	$ 1,358,472	$ 7,881,015

(Continued)

City of Hillsboro
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2022

	Water	Sewer	Storm Sewer	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	$ 480,651	$ 435,469	$ (116,593)	$ 799,527
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	271,545	727,797	68,135	1,067,477
Pension expense not affecting cash	(102,883)	(98,638)	48,077	(153,444)
OPEB expense not affecting cash	(73,454)	(69,384)	12,425	(130,413)
Changes in Assets and Liabilities:				
Decrease/(Increases) in Accounts Receivable	4,158	12,707	(497)	16,368
Increase/(Decrease) in Accounts Payable	1,458	4,889	(2,999)	3,348
Increase in Accrued Wages and Benefits	7,747	2,937	2,985	13,669
Increase in Compensated Absences Payable	10,512	11,216	-	21,728
Increase in Due to Other Governments	4,838	3,755	2,020	10,613
Total Adjustments	123,921	595,279	130,146	849,346
Net Cash Provided by Operating Activities	$ 604,572	$ 1,030,748	$ 13,553	$ 1,648,873

See accompanying notes to the basic financial statements.

City of Hillsboro

Statement of Fiduciary Net Postion

Custodial Fund

December 31, 2022

ASSETS:		
Cash and Cash Equivalents in Segregated Accounts	$	158,500
Accounts Receivable		93,038
Total Assets	$	251,538
NET POSITION:		
Restricted for Individuals, Organizations, and Other Governments		251,538
Total Net Position	$	251,538

See accompanying notes to the basic financial statements.

City of Hillsboro
Statement of Changes in Fiduciary Net Position
Custodial Fund
For the Year Ended December 31, 2022

Additions:	
Fines and forfeitures for other governments	$625,519
Total additions	625,519
Deductions:	
Fines and forfeitures disbtributions to other governments	569,344
Total deductions	569,344
Change in net position	56,175
Net position , January 1	195,363
Net position, December 31	$251,538

See accompanying notes to the basic financial statements.

1. FINANCIAL REPORTING ENTITY

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

CITY GOVERNMENT AND REPORTING ENTITY

The City of Hillsboro (the "City"), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City, named in honor of Lord Hillsborough, was founded in 1807 by David Hayes and was named the City seat of Highland City. On January 1, 1952, Hillsboro was first organized as a city under the laws of the State of Ohio.

The City of Hillsboro is a home rule municipal corporation established under the laws of the State of Ohio. The legislative authority is vested in a seven-member council three of whom are elected at-large and four by ward for four-year terms. The presiding officer is the president, who is elected by the Council for a two-year term. Council enacts ordinances and resolutions relating to tax levies, city services, and licensing, appropriates and borrows money, and accepts bids for materials and services and other municipal purposes. The mayor is elected at-large and is the Chief Executive Officer of the City. The Mayor supervises the administration of all departments and appoints their directors and all other employees in accordance with civil service requirements.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are fairly presented and completed. The primary government consists of all funds, departments, boards and commissions that are not legally separate from the City. The City departments include a public safety department, a public service department, a parks and recreation department, a planning and zoning department, income tax department, utility departments including sewer and water, and staff to provide support to service providers.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt or levying of taxes. The City has one discretely presented component unit which is described below.

The Hillsboro Community Improvement Corporation (the "CIC") was formed pursuant to Ordinance 2021-01 passed February 2, 2021 and incorporated as a not-for-profit corporation under Chapters 1724 of the Ohio Revised Code for the purpose to advance, encourage, and promote industrial, economic, commercial and civic development of the City of Hillsboro (the "City"). The CIC has been designated as the City's agent for industrial and commercial distributions and research development.

The Board of Directors (the "Board") is to be comprised of six members. All six of the Board members are elected or appointed officials of the City of Hillsboro. All Board members are appointed by the Mayor of the City of Hillsboro with approval of Hillsboro City Council. Additional information regarding the CIC is included in Note 20.

1. FINANCIAL REPORTING ENTITY (Continued)

The Hillsboro Municipal Court which provides judiciary services is included as a custodial fund in the City's financial statements. The Municipal Court Judge is an elected City Official who has a fiduciary responsibility for the collection and distribution of the court fees and fines.

The City has contracted with the Paint Creek Joint EMS/Fire District to provide EMS and fire protection services for the City. Paint Creek Joint EMS/Fire District is a jointly government organization made up of governments from Highland and Ross County. These entities include Madison Township, Buckskin Township, Paint Township (Ross County), Paint Township (Highland County), Jackson Township, Liberty Township, Washington Township, New Market Township, and the City of Greenfield. The City does not have representation on the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore are 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 not classified as program revenues are presented as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies that extent to which each governmental function or business segment 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 functions or activities in separate funds in order to assist 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND ACCOUNTING

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

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities are accounted for through governmental funds. The City maintains records showing revenues, actual and accrued expenditures, and encumbrances to assure legal and accounting compliance and to assure that budgetary authority is not exceeded. The difference between governmental fund assets and deferred outflows and liabilities and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

> *General Fund* - This fund is established to account for resources devoted to financing the general services that the City performs for its residents that are not accounted for or reported in another fund. Municipal income tax, general tax revenues, as well as other sources of revenue used to finance the fundamental operations of the City are included in this fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> *Street Fund* – This fund is established to account for resources devoted to financing street repairs and construction. The primary source of revenue is intergovernmental gasoline tax monies.
>
> *Bond Retirement Fund* – This fund is established to account for debt service payments for general obligation debt. The primary source for debt service payments is transfers from the General Fund.

The other governmental funds of the City account for grants and other resources, and capital projects that are generally restricted to use for a particular purpose.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

> *Water Fund* – This fund accounts for the provision of water treatment and distribution to residential and commercial users within the City.
>
> *Sewer Fund* – This fund accounts for the provision of wastewater treatment services to residential and commercial users within the City.
>
> *Storm Sewer Fund* – This fund accounts for the provision of storm sewer management and maintenance services to residential and commercial users within the City.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and therefore not available to support the City's own programs. The City only reports custodial funds, which are used to account for and maintain assets held by the City or as a fiscal agent for individuals, private organizations, and other governmental units and other funds. These assets include the activities of the Hillsboro Municipal Court.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS

Government-wide Financial Statements
The government-wide financial statements are prepared using the economic resources measurement focus. All assets, all liabilities and all deferred inflows and outflows 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 liabilities and deferred inflows 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 on the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

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

BASIS OF ACCOUNTING

Accounting basis determines when transactions and economic events are reflected in its financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of unavailable revenue, the reporting of deferred inflows and outflows of resources, the presentation of expenses versus expenditures, the recording of net pension/OPEB liabilities.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Deferred Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows for the deferred charge on debt refunding and for deferred pension/OPEB amounts. The deferred charge on debt refunding is reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and it reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources are reported on the government-wide and proprietary funds' statements of net position for pensions and OPEB. The deferred outflows of resources related to pensions and OPEB are explained in Note 9 and Note 10, respectively.

In addition to liabilities, the statements of financial position will report a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the City these amounts consist of income taxes, delinquent property taxes, and intergovernmental receivables which are not collected in the available period and pensions and OPEB. Property taxes for which there is an enforceable legal claim as of December 31, 2022, but which were levied to finance fiscal year 2023 operations, have also been recorded as deferred inflows of resources.

The difference between deferred inflows on the statement of net position and the balance sheet is due to delinquent property taxes, income taxes, and intergovernmental grants not received during the available period. These were reported as revenues on the statement of activities and not recorded as deferred inflows on the statement of net position. Deferred inflows of resources related to pensions and OPEB are only reported on the government-wide statement of net position and the statement of net position for proprietary funds. (See Note 9 and Note 10).

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.

BUDGETS AND BUDGETARY ACCOUNTING

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

CASH AND INVESTMENTS

Cash balances of the City's funds, except cash held by a trustee or fiscal agent and in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Individual fund integrity is maintained through the City's records. Interest is distributed to various funds based upon the Ohio Revised Code requirements. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During 2022, investments were limited to negotiable certificates of deposit and money market funds.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

For purposes of the statement of cash flows and for presentation on the statement of net position and the balance sheet, funds included within the City's cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

CAPITAL ASSETS

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition value on the date donated. The City maintains a capitalization threshold of five hundred dollars. The City's infrastructure consists of streets, bridges, storm and sanitary sewer lines and water lines. Improvements are capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation has been provided on a straight-line basis over the following estimated useful lives for both governmental and business-type activities:

Description	Estimated Lives
Buildings and Improvements	50 years
Land Improvements	20 years
Furniture	20 years
Machinery and Equipment	5-20 years
Vehicles	8 years
Water/Sewer Lines	65 years
Infrastructure	10-40 years

INTERFUND ASSETS AND LIABILITIES

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivables/Payables”. Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as “Internal Balances” in the statement of net position when reported. The City had no Internal Balances to report at December 31, 2022.

COMPENSATED ABSENCES

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are currently eligible to receive termination benefits and by those employees for whom it is probable will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at year end. This item is discussed in Note 12 to the basic financial statements.

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

On the fund financial statements for governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid as a result of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported. For enterprise funds, the entire amount of compensated absences is reported as a fund liability. The City had no matured compensated absences payable at December 31, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

FUND BALANCE

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, City Council has provided the City Auditor with the authority to record assigned amounts which is primarily done through the issuance of purchase orders. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET POSITION

Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings and the effect of deferred outflows and inflows related to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted for other purposes represents balances of state and federal grants and other restricted purposes in Special Revenue funds. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Of the City's $2,366,930 of restricted net position, none was restricted by enabling legislation.

OPERATING REVENUES AND EXPENSES

Operating revenue are those revenues that are generated directly from the primary activity of the enterprise funds. For the City, these revenues are charges for services for sewer and water utility and stormwater management services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are classified as nonoperating.

INTERFUND TRANSACTIONS

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

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

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 (asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plans. 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.

3. DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash, in 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 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 deposits maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

State statute permits interim monies to 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. No-load money market mutual funds consisting exclusively of obligations described in (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;

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

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

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

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

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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3. DEPOSITS AND INVESTMENTS (Continued)

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City Auditor or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits:
Custodial credit risk is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. Except as noted below, at year end, the City's bank balance of $11,102,824 was either covered by FDIC or collateralized in the manner described below.

The City does not have a deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

> Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At December 31, 2022, one the City's financial institutions still maintained its own collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

3. DEPOSITS AND INVESTMENTS (Continued)

Investments:

Investment type	Fair Value	Less than 1 Year	1-3 Years
Money Market Funds	$ 492,829	$ 492,829	$ -
Negotiable Certificates of Deposit	1,396,526	136,448	1,260,078
	$ 1,889,355	$ 629,277	$ 1,260,078

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the City's recurring fair value measurements as of December 31, 2022. All investments of the City are valued using quoted market prices (Level 1 inputs).

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no policy specifically dealing with interest rate risk. The City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy allows the City to invest in accordance with the Ohio Revised Code (Ohio Law). The City limits their investments to money market accounts, negotiable certificates of deposit, and government securities. The City's money market account was rated AAAm by Standard & Poor's. The City's investments in individual marketable certificates of deposit are fully insured by the Federal Deposit Insurance Corporation.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount the City may invest in any one issuer. The City does have an investment policy. Of the City's investments, as of December 31, 2022, 26% are in money market funds and 74% are in negotiable certificates of deposit.

Custodial credit risk – 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 investment or collateral securities that are in the possession of an outside party. All of the City's securities are either insured and registered in the name of the City or at least registered in the name of the City. The City has no policy specifically related to custodial credit risk but requires the City to conform to requirements of Ohio law.

4. BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance - budget (non-GAAP budgetary basis) and actual, for the General Fund and the Street 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 GAAP basis are as follows:

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

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

3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a restriction, commitment, or assignment of fund balance for governmental fund types (GAAP basis).

4. Funds reported as part of the General Fund on the GAAP basis are not included on the budgetary basis.

The following table summarizes the adjustments necessary to reconcile the GAAP basis and budgetary basis for the General Fund and the Street Major Special Revenue Fund.

Net Change in Fund Balance

	General	Street
GAAP Basis	$ (1,161,100)	$ 192,034
Revenue Accruals	978,913	(176,789)
Expenditure Accruals	21,937	20,825
Prospective Difference:		
Activity of Funds Reclassified for GAAP Reporting Purposes	(219)	-
Encumbrances	(268,569)	(135,122)
Budgetary Basis	$ (429,038)	$ (99,052)

5. PROPERTY TAX

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the City Auditor at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. The first payment is due January 20, with the remainder payable by June 20.

Public utility real and 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. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The City Treasurer collects property tax on behalf of all taxing districts within the City. The City Auditor periodically remits to the City its share of the taxes collected. The City records receipt of these taxes in various funds.

Accrued property taxes receivable represents delinquent taxes outstanding and real and public utility taxes which were measurable and unpaid as of December 31, 2022. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2022 operations. The receivable is therefore offset by deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2022, was $3.00 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2022 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	$135,907,880
Public Utility Personal Property	8,771,050
Total Property Taxes	$144,678,930

6. LOCAL INCOME TAX

This locally levied tax of one and one-half percent applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the City of Hillsboro and to earnings of nonresidents earned in the City. It also applies to net income of business organizations conducted within the City. Proceeds of the tax are credited entirely to the General Fund.

7. INTERFUND TRANSACTIONS

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers made during the year ended December 31, 2022, were as follows:

Fund	Transfers In	Transfers Out
General Fund	$ 37,000	$ 2,465,810
Street Fund	340,810	-
General Bond Retirement Fund	1,195,000	-
Non-Major Special Revenue Funds		
Police Pension	140,000	-
Fire Pension	-	37,000
Recreation	40,000	73,842
CDBG	73,842	-
Total Non-Major Special Revenue Funds	253,842	110,842
Enterprise Funds		
Sewer Fund	-	67,000
Storm Sewer Fund	817,000	-
Total Enterprise Funds	817,000	67,000
Total All Funds	$ 2,643,652	$ 2,643,652

8. RECEIVABLES

Receivables at December 31, 2022 consisted of taxes, accounts (billings for user charged services including unbilled utility services), loans, and intergovernmental receivables arising from grants, entitlements and shared revenues.

Loans receivable represents low interest loans for development projects and home improvements granted to eligible City residents and businesses under the Community Development Program. These loans are generally to be repaid over a three to twenty-year period.

8. RECEIVABLES (Continued)

A summary of the amounts due from other governments are as follows:

General	
Local Government	$17,607
Homestead & Rollback	13,142
Street Fund	
Gasoline Tax	170,736
Non-Major Special Revenue	
State Highway Fund	
Gasoline Tax	13,842
Victim's Rights Office	
VOCA Grant	28,894
Fire Pension Fund	
Homestead & Rollback	2,062
Police Pension Fund	
Homestead & Rollback	2,062
Major Bond Retirement	
Bond Retirement Fund	
Homestead & Rollback	2,062
Total Governmental Activities	$250,407

9. DEFINED BENEFIT RETIREMENT PLANS

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

Net Pension Liability/Net OPEB Liability (Asset)

Substantially all City employees are covered by one of two pension plans Ohio Police and Fire Pension Fund (OP&F) or Ohio Public Employees Retirement System (OPERS).

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

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.

9. DEFINED BENEFIT RETIREMENT PLANS (Continued)

Net Pension Liability/Net OPEB Liability (Asset) (Continued)

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset).

Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the pension disclosures. See Note 10 for the OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

The City participates 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.

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 may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

9. DEFINED BENEFIT RETIREMENT PLANS (Continued)

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

Group A Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Traditional Plan Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Traditional Plan Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the COLA is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

9. DEFINED BENEFIT RETIREMENT PLANS (Continued)

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

Effective January 1, 2022, the Combined Plan was consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option is no longer be available for member selection.

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

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

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** 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.

The City's contractually required contribution to OPERS was $363,550 for fiscal year 2022. Of this amount, $43,927 was reported as an intergovernmental payable for 2022.

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

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

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with

9. DEFINED BENEFIT RETIREMENT PLANS (Continued)

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

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.

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

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

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

9. DEFINED BENEFIT RETIREMENT PLANS (Continued)

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $155,532 for 2022. Of this amount $18,949 is reported as an intergovernmental payable.

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

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

	OPERS	OP&F	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.0161010%	0.0289068%	
Prior Measurement Date	0.0159610%	0.0301911%	
Change in Proportionate Share	0.0001400%	-0.0012843%	
Proportionate Share of the:			
Net Pension Liability	$1,400,852	$1,805,930	$3,206,782
Pension Expense (Gain)	($144,923)	$55,578	($89,345)

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

	OPERS	**OP&F**	**Total**
Deferred Outflows of Resources			
Differences between expected and actual experience	$71,413	$52,072	$123,485
Changes of assumptions	175,175	330,046	505,221
Changes in proportion and differences between City contributions and proportionate share of contributions	126,997	53,467	180,464
City contributions subsequent to the measurement date	363,550	155,532	519,082
Total Deferred Outflows of Resources	$737,135	$591,117	$1,328,252

	OPERS	**OP&F**	**Total**
Deferred Inflows of Resources			
Differences between expected and actual experience	$30,724	$93,884	$124,608
Net difference between projected and actual earnings on pension plan investments	$1,666,263	$473,487	$2,139,750
Changes in proportion and differences between City contributions and proportionate share of contributions	76,897	210,759	287,656
Total Deferred Inflows of Resources	$1,773,884	$778,130	$2,552,014

$519,082 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2023.

9. DEFINED BENEFIT RETIREMENT PLANS (Continued)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* (Continued)**

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

	OPERS	OP&F	Total
Fiscal Year Ending December 31:			
2023	(175,252)	(49,791)	(225,043)
2024	(568,178)	(188,390)	(756,568)
2025	(391,806)	(83,019)	(474,825)
2026	(265,063)	(50,319)	(315,382)
2027	-	28,974	28,974
Total	($1,400,299)	($342,545)	($1,742,844)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2021 using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2% down to 6.9%, for the defined benefit investments.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2021 are presented below for OPERS Traditional Plan.

	2021
Experience Study	5-year period ended December 31, 2020
Wage Inflation	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2022, then 2.05 percent, simple
Investment Rate of Return	6.9 percent
Actuarial Cost Method	Individual Entry Age

9. DEFINED BENEFIT RETIREMENT PLANS (Continued)

Actuarial Assumptions – OPERS (Continued)

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

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 17.2% for 2022.

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, 2021, these best estimates are summarized in the following table:

Asset Class	2021 Target Allocation	2021 Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	24.00 %	1.03 %
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other Investments	4.00	2.85
Total	100.00 %	4.21 %

9. DEFINED BENEFIT RETIREMENT PLANS (Continued)

Actuarial Assumptions – OPERS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 6.9% for the Traditional Pension Plan and the Combined Plan for the year ended December 31, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated as of the measurement date of December 31, 2021 using the current period discount rate assumption of 6.9 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
Citys proportionate share of the net pension liability (asset)	$3,693,408	$1,400,852	($506,859)

Actuarial Assumptions – OP&F

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

9. DEFINED BENEFIT RETIREMENT PLANS (Continued)

Actuarial Assumptions – OP&F (Continued)

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

Valuation date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.5 percent
Projected salary increases	3.75 percent to 10.5 percent
Payroll growth	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of living adjustments	2.20 percent simple

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

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

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

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

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

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

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

9. DEFINED BENEFIT RETIREMENT PLANS (Continued)

Actuarial Assumptions – OP&F (Continued)

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

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

Note: Assumptions are geometric.
*levered 2x

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

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	$2,678,169	$1,805,930	$1,079,570

10. DEFINED BENEFIT OPEB PLANS

See Note 9 for a description of the net OPEB liability (asset).

Plan Description – Ohio Public Employees Retirement System

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

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

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

The heath care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance. Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

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

10. DEFINED BENEFIT OPEB PLANS (Continued)

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code. Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022 and 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 0 percent during calendar year 2022 and calendar year 2021. For the calendar year 2021 and for the time period January 1, 2022 through June 30, 2022, OPERS did not allocate any employer contributions to health care for members in the Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2022 was 4.0 percent. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution was $0 for 2022.

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

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

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

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

10. DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

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

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

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

The City's contractually required contribution OPEB to OP&F was $4,086 for 2022. Of this amount, $0 is reported as an intergovernmental payable.

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2020 rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. 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.

10. DEFINED BENEFIT OPEB PLANS (Continued)

***OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* - Continued**

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

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.0152820%	0.0289068%	
Prior Measurement Date	0.0151700%	0.0301911%	
Change in Proportionate Share	0.0001120%	-0.0012843%	
Proportionate Share of the:			
Net OPEB Asset	$478,656	$0	$478,656
OPEB Liability	$0	$316,843	$316,843
OPEB Expense (Gain)	($327,143)	$30	($327,113)

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

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$14,414	$14,414
Changes of assumptions	0	140,243	140,243
Changes in proportion and differences between City contributions and proportionate share of contributions	49,885	78,510	128,395
City contributions subsequent to the measurement date	0	4,086	4,086
Total	$49,885	$237,253	$287,138

	OPERS	OP&F	Total
Deferred Inflows of Resources			
Differences between expected and actual experience	$72,605	$41,875	$114,480
Net difference between projected and actual earnings on OPEB plan investments	228,190	28,621	256,811
Changes of assumptions	193,755	48,826	242,581
Changes in proportion and differences between City contributions and proportionate share of contributions	67,676	33,046	100,722
Total	$562,226	$152,368	$714,594

$4,086 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/addition to the net OPEB asset in 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

10. DEFINED BENEFIT OPEB PLANS (Continued)

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB **- Continued**

	OPERS	OP&F	Total
Year Ending December 31:			
2023	(306,259)	20,983	(285,276)
2024	(123,454)	16,734	(106,720)
2025	(49,858)	19,894	(29,964)
2026	(32,770)	10,042	(22,728)
2027	-	6,685	6,685
Thereafter	-	6,461	6,461
Total	($512,341)	$80,799	($431,542)

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 the System and plan members. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions.

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

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

	December 31, 2021
Wage Inflation	2.75 percent
Projected Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
Future Salary Increases, including inflation	
Single Discount Rate:	
Current measurement date	6.00 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	1.84 percent
Health Care Cost Trend Rate	5.5 percent, initial 3.50 percent ultimate in 2034
Actuarial Cost Method	Individual Entry Age
Experience Study	5-Year Period Ended December 31, 2020

10. DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OPERS (continued)

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

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

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined 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 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 Health Care's portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

Asset Class	2021 Target Allocation	2021 Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	0.91 %
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other Investments	7.00	1.93
Total	100.00 %	3.45 %

10. DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions –OPERS (continued)

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 1.84 percent (Fidelity Index's "20-Year Municipal GO AA Index") for the year ended December 31, 2021. 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 2.00 percent for the year ended December 31, 2020. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

The following table presents the City's proportionate share of the net OPEB liability (asset) calculated as of the measurement date December 31, 2021, using the single discount rate of 6.00 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 (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.0%)	Current Discount Rate (6.0%)	1% Increase (7.0%)
City's proportionate share of the net OPEB asset	($281,494)	($478,656)	($642,302)

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

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that 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.

10. DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions –OPERS (continued)

For the fiscal year ended December 31, 2022:

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB asset	($483,828)	($478,656)	($472,519)

Actuarial Assumptions – OP&F

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

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

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

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

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Blended discount rate:	
Currrent measurement date	2.84 percent
Prior measurement date	2.96 percent
Cost of Living Adjustments	2.2 percent simple per year

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

10. DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OP&F (continued)

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

Age	Police	Fire
67 or less	77 %	68 %
68 to 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 to 69	60 %	45 %
70 to 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 OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see note 9.

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

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

10. DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OP&F (continued)

	1% Decrease (1.84%)	Current Discount Rate (2.84%)	1% Increase (3.84%)
City's proportionate share of the net OPEB liability	$381,904	$316,843	$243,885

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

11. RISK MANAGEMENT

The City is exposed to various risks of property and casualty losses, and injuries to employees. The City insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage
APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position
PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31,2022.

Assets	$61,537,313
Liabilities	(18,643,081)
Net Position	$42,894,232

11. RISK MANAGEMENT (Continued)

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

2022 Contributions to PEP
$90,694

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

The City also maintains a blanket crime bond in the amount of $2,500. In addition, the City carries employee dishonesty coverage for items over the amount of $5,000 with a no deductible. The City pays all elected officials' bonds by statute. The City insures an employee health benefits program through Anthem Blue Cross/Blue Shield.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The City has not incurred significant reductions in insurance coverage from coverage in prior year by major category risk.

12. OTHER EMPLOYEE BENEFITS

Deferred Compensation: Employees of the City may participate in the Voya Deferred Compensation Program, Ohio Deferred Compensation, or Security Benefits which were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis.

These plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Assets of the plans are held in trust for the exclusive benefit of the participants and their beneficiaries.

Compensated Absences: Vacation leave is earned at rates that vary depending upon length of service and standard work week. Current policy credits vacation on the employee's anniversary date and is to be taken by the next anniversary date. Vacation time is not cumulative and must be taken during the year unless otherwise specified. City employees are paid for earned, unused vacation leave at the time of termination of employment if the employee has at least one year of service.

The Police Department earns sick leave at a rate of 4.6 hours per completed eighty hours of active pay status. Those employees with not less than 10 years of service at retirement shall be paid the value of his/her sick leave credit for up to one-third of the leave up to a maximum of 400 hours upon termination. All other City employees earn sick leave at a rate of 4.6 hours per completed eighty hours of active pay status. Those employees with at least ten years of service at the time of separation shall be paid the value of his/her sick credit for up to one-fourth of the leave up to 300 hours. Such payment shall be based on the employee's rate of pay at the time of separation, or the full balance may be transferred to another governmental agency.

13. CAPITAL ASSETS

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

	Ending Balance 12/31/2021	Additions	Deletions	Ending Balance 12/31/2022
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	$ 940,307	$ 1,384,125	$ -	$ 2,324,432
Construction in Progress	11,200	54,608	-	65,808
Total Capital Assets, Not Being Depreciated	951,507	1,438,733	-	2,390,240
Capital Assets Being Depreciated				
Land Improvements	2,807,230	98,901	-	2,906,131
Buildings and Improvements	4,221,384	18,928	-	4,240,312
Furniture and Equipment	1,638,772	261,738	(6,144)	1,894,366
Vehicles	697,810	123,319	(72,973)	748,156
Infrastructure	22,377,208	158,444	-	22,535,652
Total Capital Assets Being Depreciated	31,742,404	661,330	(79,117)	32,324,617
Less Accumulated Depreciation				
Land Improvements	(1,568,749)	(54,310)	-	(1,623,059)
Buildings and Improvements	(1,344,933)	(83,304)	-	(1,428,237)
Furniture and Equipment	(1,185,538)	(92,950)	6,144	(1,272,344)
Vehicles	(453,233)	(51,893)	70,131	(434,995)
Infrastructure	(9,111,382)	(726,747)	-	(9,838,129)
Total Accumulated Depreciation	(13,663,835)	(1,009,204)	76,275	(14,596,764)
Total Capital Assets Being Depreciated, Net	18,078,569	(347,874)	(2,842)	17,727,853
Governmental Activities Capital Assets, Net	$ 19,030,076	$ 1,090,859	$ (2,842)	$ 20,118,093

Depreciation expense was charged to governmental functions as follows:

General Government:	
Legislative and Executive	$57,158
Security of Persons & Property	81,504
Leisure Time Activities	15,382
Transportation	855,160
Total Depreciation Expense	$1,009,204

13. CAPITAL ASSETS (Continued)

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

	Beginning Balance 12/31/2021	Additions	Deletions	Ending Balance 12/31/2022
Business Type Activities				
Capital Assets, Not Being Depreciated				
Land	$ 10,460	$ -	$ -	$ 10,460
Construction in Progress	620,423	1,992,966	(51,250)	2,562,139
Total Capital Assets, Not Being Depreciated	630,883	1,992,966	(51,250)	2,572,599
Capital Assets Being Depreciated				
Land Improvements	144,385	-	-	144,385
Buildings and Improvements	34,472,271	228,844	(198,283)	34,502,832
Furniture and Equipment	1,750,478	151,120	(15,478)	1,886,120
Vehicles	1,211,550	404,625	(365,262)	1,250,913
Infrastructure	9,004,320	-	-	9,004,320
Total Capital Assets Being Depreciated	46,583,004	784,589	(579,023)	46,788,570
Less Accumulated Depreciation				
Land Improvements	(75,884)	(8,785)	-	(84,669)
Buildings and Improvements	(10,173,933)	(533,456)	31,023	(10,676,366)
Furniture and Equipment	(1,250,284)	(101,074)	15,478	(1,335,880)
Vehicles	(531,079)	(96,320)	143,678	(483,721)
Infrastructure	(3,380,130)	(327,842)	-	(3,707,972)
Total Accumulated Depreciation	(15,411,310)	(1,067,477)	190,179	(16,288,608)
Total Capital Assets Being Depreciated, Net	31,171,694	(282,888)	(388,844)	30,499,962
Business Type Activities Capital Assets, Net	$ 31,802,577	$ 1,710,078	$ (440,094)	$ 33,072,561

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14. LONG-TERM OBLIGATIONS

The City's long-term obligations at year end consisted of the following:

	Outstanding 12/31/2021	Issued	Retired	Outstanding 12/31/2022	Due In One Year
Governmental Activities					
Compensated Absences	$ 158,762	$ 314,135	$ 310,178	$ 162,719	$ 45,334
2018 - 0% OPWC Loan - Direct	74,309	-	49,539	24,770	24,770
2019 - 0% OPWC Loan - Direct	280,002	-	10,000	270,002	5,000
2016 - Refunding Various Purpose General Obligation Bonds	1,480,000	-	1,480,000	-	-
2020 - Refunding Various Purpose General Obligation Bonds	220,000	-	10,000	210,000	10,000
Premium on 2020 Refunding Bonds	17,795	-	757	17,038	-
Financed Purchases	63,618	82,142	63,618	82,142	10,337
2021 - Installment Loan - Truck - 3.452%	46,879	-	8,751	38,128	9,053
Net Pension Liability	3,238,115	-	775,084	2,463,031	-
Net OPEB Liability	319,880	-	3,037	316,843	-
Total Governmental Activities	$ 5,899,360	$ 396,277	$ 2,710,964	$ 3,584,673	$ 104,494

The City has certain direct borrowings with the Ohio Public Works Commission (OPWC). In the event of a default, (1) OPWC may apply late fees of 8 percent per year, (2) loans more than sixty days late will be turned over to the Attorney General's office for collection and, as provided by law, OPWC may require that such payment be taken from the County's share of the County undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

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14. LONG-TERM OBLIGATIONS (Continued)

	Outstanding 12/31/2021	Issued	Retired	Outstanding 12/31/2022	Due In One Year
Business-Type Activities					
Compensated Absences	$ 103,611	$ 132,636	$ 110,908	$ 125,339	$ 182
Water					
2021 General Obligation Refunding Bonds - 1.25%	2,141,000	-	205,000	1,936,000	207,000
2020 - Various Purpose General Obligation Refunding Bonds	2,215,000	-	60,000	2,155,000	65,000
Premium on 2020 Refunding Bonds	157,179	-	6,688	150,491	-
2021 - OWDA Loan - 1.6% - Direct	497,249	185,205	12,127	670,327	-
2022 - OWDA Loan - 1.82% Direct	-	747,641	20,483	727,158	-
2021 - OWDA Loan - 0.00% Direct	-	2,142	2,142	-	-
2021 - Installment Loan - Truck - 3.452%	46,879	-	8,751	38,128	9,053
Financed Purchases	30,450	133,017	30,450	133,017	35,280
Net Pension Liability	534,002	-	212,951	321,051	-
Total Water Fund	5,621,759	1,068,005	558,592	6,131,172	316,333
Sewer					
2004 - OWDA Loan - 1% - Direct	67,106	-	11,045	56,061	22,257
2005 - OWDA Loan - 1% - Direct	299,817	-	36,826	262,991	74,206
2010 - OWDA Loan - 1% - Direct	4,061,513	-	204,304	3,857,209	411,679
2019 - OWDA Loan - 1% - Direct	248,316	-	7,244	241,072	-
2020 - OWDA Loan - 0.67% - Direct	91,950	-	1,948	90,002	-
2020 - OWDA Loan - 0.67% - Direct	938,530	-	17,750	920,780	-
2007 - OPWC Loan - 0% - Direct	50,000	-	10,000	40,000	5,000
2014 - OPWC Loan - 0% - Direct	278,508	-	17,407	261,101	8,703
2015 - OPWC Loan - 0% - Direct	149,918	-	11,105	138,813	5,553
2019 - OPWC Loan - 0% - Direct	209,461	-	41,892	167,569	20,946
2021 - Installment Loan - Truck - 3.452%	46,879	-	8,751	38,128	9,053
Financed Purchases	30,450	133,017	30,450	133,017	35,280
Net Pension Liability	480,860	-	186,937	293,923	-
Total Sewer Fund	6,953,308	133,017	585,659	6,500,666	592,677
Storm Water Fund					
2020 - OWDA Loan - 0% - Direct	44,307	-	1,422	42,885	-
2022 - OWDA Loan - 0.78% - Direct	-	176,595	-	176,595	-
2021 - Installment Loan - Truck - 3.452%	46,879	-	8,751	38,128	9,053
Net Pension Liability	168,653	-	39,874	128,779	-
Financed Purchases	6,648	82,141	6,648	82,141	10,337
Total Storm Water Fund	266,487	258,736	56,695	468,528	19,390
Total Business-Type Activities	$ 12,945,165	$ 1,592,394	$ 1,311,854	$ 13,225,705	$ 928,582

14. LONG-TERM OBLIGATIONS (Continued)

The 2004 OWDA loan was issued at an interest rate of 1% during 2004 and 2005 to pay for the costs of sanitary sewer lining. The 2005 OWDA loan was issued at an interest rate of 1% to pay for the costs of a lift station, equalization basin, and relief sewers. The 2007 OPWC loan was issued at a zero percent interest rate for a portion of the costs of the wastewater treatment plant bypass elimination. The 2010 OWDA loan was issued at an interest rate of 1% to pay for the costs of the Wastewater Treatment Plant upgrade. The 2014 OPWC loan was issued at a zero percent interest rate for the replacement of sanitary sewer infrastructure. The 2015 OPWC loan was issued at a zero percent interest rate for sewer improvements. The 2019 OPWC loan was issued at a zero percent interest rate for sewer improvements. The Sewer Fund is being used to repay these loans.

There was one OWDA loan issued in 2019 at an interest rate of 1% to pay for sewer improvements. This loan will be repaid from the sewer fund. This loan was not finalized as of year-end and is not included in the amortization schedule.

There were two OWDA loans issued in 2020 at an interest rate of .67% to pay for sewer improvements. These loans will be repaid from the sewer fund. These loans were not finalized as of year-end and are not included in the amortization schedule.

For fiscal year 2022, there was one OWDA loan issued at an interest rate of 0.78% to pay for storm water improvements. There were loan draws of $176,595 during fiscal year 2022. This loan was not finalized as of fiscal year end.

There was one OWDA loan issued in 2020 at an interest rate of 0% to pay for the costs of storm sewer maintenance. The loan paid for storm sewer improvements. The 2020 OWDA loan was partially repaid in the amount of $938,990 through a principal forgiveness program which left a balance outstanding of $47,131 as of December 31, 2020. There were additional principal payments made by the City of $1,422 during fiscal year 2022. This loan was not finalized as of year-end and is not included in the amortization schedule.

For fiscal year 2022, there was one OWDA loan issued at an interest rate of 1.82% to pay for water improvements. There were loan draws of $747,641 during fiscal year 2022. This loan was not finalized as of fiscal year end.

There was one OWDA loan issued in 2021 at an interest rate of 1.6% to pay for the costs of water improvements. This loan was not finalized as of year-end and is not included in the amortization schedule.

The 2018 and 2019 OPWC loans were issued at a zero percent interest rate for street improvements. These loans will be repaid from the Street Fund.

In connection with the general obligation refunding and improvement bonds and OWDA loans, the City has pledged future customer revenues of the Water and Sewer Funds, respectively, net of specified operating expenses, to repay these bonds and loans. The bonds and loans are payable, through final maturities, from net revenues applicable to the Water and Sewer Funds, respectively. Total principal and interest remaining to be paid on the bonds is $4,991,778. The net revenue available for these bonds was $752,196 and principal and interest paid was $357,308. The coverage ratio for these bonds was 2.11 for the year ended December 31, 2022. The remaining principal and interest to be paid on the OWDA loans which have been finalized was $4,368,197. The net revenue available for these loans was $1,163,266 and principal and interest paid was $292,029. The coverage ratio for the loans was 3.98 for the year ended December 31, 2022.

14. LONG-TERM DEBT OBLIGATIONS (Continued)

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The City issued $2,030,000 in general obligation refunding various purpose bonds in 2016 for the purpose of advance refunding $1,470,000 of the 2009 Various Purpose General Obligation Bonds and $280,000 of the 2007 Street Improvement Bonds. The bonds were issued for a 13-year period with final maturity December 1, 2029 at a 2.03% interest rate. Property tax monies are being received in and the debt is being repaid from a General Obligation Bond Retirement Fund. These bonds were paid of during 2022.

In 2020, the City issued $2,650,000 in Various Purpose Limited Tax General Obligation Bonds to refund the outstanding amount of certain 2005 Water System Revenue Bonds and also to pay the cost of constructing a pedestrian bridge in a municipal park. $2,400,000 of the bonds were for the refunding of Water Revenue Bonds and $250,000 of the bonds were for the construction of the pedestrian bridge which is a governmental activity. There was a premium of $167,212 received on the $2,400,000 portion of the bonds which was recorded as a long-term liability in the Enterprise Funds. There were issuance costs of $72,146 on this portion of the bonds which were recorded as a non-operating expense in the Enterprise Funds. The refunding resulted in an economic gain in the amount of $542,900 and an aggregate difference between the refunding debt and the refunded debt in the amount of $81,066. As more fully described in Note 2, the deferred charge of $81,066 was deferred and is being amortized over the shorter of the refunded or refunding debt.

There was a premium of $18,931 received on the $250,000 portion of the bonds which was recorded as an other financing source in the governmental funds. There were issuance costs of $6,868 on this portion of the bonds which were recorded as an expenditure in the governmental funds and an expense in governmental activities.

In 2021, the City issued $2,150,000 in Water System Limited Tax General Obligation Refunding Bonds to refund the outstanding amount of certain Water related 2014 General Obligation Refunding and Improvement Bonds. There were issuance costs of $33,288 on these bonds which were recorded as a non-operating expense in the Enterprise Funds. The refunding resulted in an economic gain in the amount of $218,105 and an aggregate difference between the refunding debt and the refunded debt in the amount of $36,712. As more fully described in Note 2, the deferred charge of $36,712 was deferred and is being amortized over the shorter of the refunded or refunding debt.

During 2021, the City entered into an installment loan at an interest rate of 3.452% for a dump truck. This $187,516 loan will be repaid equally out of the Street, Water, Sewer, and Storm Sewer Funds. The 2021 Installment Loan is secured by the pledge of the truck itself.

Compensated absences (sick leave and vacation benefits) will be paid from the General Fund, Street Special Revenue Fund, and Sewer and Water Enterprise Funds. The City pays obligations related to employee compensation from the fund benefitting from their service. Financed purchase obligations will be paid from the fund that maintains custody of the related asset.

14. LONG-TERM DEBT OBLIGATIONS (Continued)

Principal and interest requirements to retire General Obligation Refunding Bonds (Governmental Activities), financed purchases (both Governmental and Business-Type Activities) and principal requirements to retire OPWC (Business-Type Activities and Governmental Activities) debt at December 31, 2022 were as follows:

	Governmental Activities 2020 General Obligation Refunding Bonds		OPWC Business	OPWC Governmental	Financed Purchases Business-Type		Financed Purchases Governmental	
	Principal	Interest	Principal	Principal	Principal	Interest	Principal	Interest
2023	$ 10,000	$ 6,256	$ 40,202	$ 29,770	$ 80,897	$ 15,217	$ 10,337	$ 2,622
2024	10,000	5,856	80,404	10,000	76,909	10,439	18,041	2,683
2025	10,000	5,456	80,404	10,000	36,364	8,305	8,530	1,948
2026	10,000	5,056	80,404	10,000	37,891	6,778	8,888	1,590
2027	10,000	4,656	54,459	10,000	39,483	5,186	9,261	1,217
2028-2032	55,000	17,380	142,560	50,000	76,631	6,331	27,085	1,250
2033-2037	75,000	7,930	120,348	50,000	-	-	-	-
2038-2042	30,000	956	8,702	50,000	-	-	-	-
2043-2047	-	-	-	50,000	-	-	-	-
2048-2050	-	-	-	25,002	-	-	-	-
	$ 210,000	$ 53,546	$ 607,483	$ 294,772	$ 348,175	$ 52,256	$ 82,142	$ 11,310

Principal and interest requirements to retire Various Purpose General Obligation Refunding Bonds for Water, Refunding Bonds for Water, and the OWDA Loans at December 31, 2022 were as follows:

	Water System 2020 General Obligation Refunding Bonds		Sewer System OWDA Loan		Water System 2021 General Obligation Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ 65,000	$ 63,831	$ 508,141	$ 40,495	$ 207,000	$ 22,906
2024	70,000	61,231	513,235	35,401	207,000	20,319
2025	70,000	58,431	506,999	30,256	203,000	17,756
2026	70,000	55,631	462,319	25,230	215,000	15,144
2027	75,000	52,831	428,437	20,787	1,104,000	34,725
2028-2032	415,000	217,805	1,757,130	39,767	-	-
2033-2037	495,000	152,111	-	-	-	-
2038-2042	540,000	96,657	-	-	-	-
2043-2046	355,000	21,600	-	-	-	-
	$ 2,155,000	$ 780,128	$ 4,176,261	$ 191,936	$ 1,936,000	$ 110,850

	Dump Truck Installment Loan Governmental Activities		Dump Truck Installment Loan Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	$ 9,053	$ 1,316	$ 27,158	$ 3,949
2024	9,365	1,004	28,095	3,011
2025	9,688	681	29,065	2,042
2026	10,022	346	30,066	1,037
	$ 38,128	$ 3,347	$ 114,384	$ 10,039

The City's overall legal debt margin was $14,940,902 at December 31, 2022.

15. CONTINGENCIES

Grants

The City received financial assistance from federal and state agencies in the form of grants. The expenditure 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 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, 2022.

Litigation

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

16. Financed Purchases

In previous years, the City entered into finance purchase agreements for police cruisers, a jet vac/hydro excavator, a Loader, Dump Trucks, Truck, and Street Sweeper. These items were paid off during 2022. During 2022, the city entered into new agreements for a Vacuum Truck and Backhoe. These items meet the criteria of a financed purchase as defined by Governmental Accounting Standards Board No. 87, which defines a financed purchase generally as one which transfers benefits and risks of ownership to the lessee. Financed purchase payments have been reclassified and are reflected as debt service in the basic financial statements for the General Fund and as reductions of financed purchase obligations in the Water and Sewer Funds. These expenditures are reflected as program/object expenditures on a budgetary basis in the General Fund.

These financed purchases are being paid off from the Street, Water, Sewer and Storm Water Funds. The amortization schedule for these obligations is provided in Note 14.

17. FUND BALANCES

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 the resources in the governmental funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Street	Bond Retirement	All Other Governmental	Total Governmental Funds
Nonspendable					
Unclaimed Monies	$28,513	$0	$0	$0	$28,513
Total Nonspendable	28,513	0	0	0	28,513
Restricted for					
Street Improvement	0	944,270	0	0	944,270
Parking Meter	0	0	0	217,253	217,253
Municipal Court Special Project	0	0	0	163,362	163,362
Alcohol Treatment	0	0	0	116,946	116,946
Other Purpose	0	0	0	242,928	242,928
Recreation	0	0	0	139,253	139,253
Rehab	0	0	0	14,223	14,223
Revolving Loan	0	0	0	266,249	266,249
ARPA	0	0		74	74
Debt Services Payments	0	0	5,266	0	5,266
Capital Improvements	0	0	0	100,734	100,734
Total Restricted	0	944,270	5,266	1,261,022	2,210,558
Assigned to					
Future Year Appropriations	1,451,813	0	0	0	1,451,813
Other Purposes	255,109	0	0	0	255,109
Total Assigned	1,706,922	0	0	0	1,706,922
Total Fund Balances	$1,735,435	$944,270	$5,266	$1,261,022	$3,945,993

18. SIGNIFICANT COMMITMENTS

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of significant encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Major Funds:	
General Fund	$268,569
Street Fund	135,122
Water Fund	289,132
Sewer Fund	340,589
Storm Sewer Maintenance and Repair	385,404
Recreation Nonmajor Governmental Fund	63,281
Total	$1,482,097

19. COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. The impact on the City's future operating costs, revenues, and recovery from emergency funding (if any), either federal or state, cannot be estimated.

During 2022, the City received COVID-19 funding through the American Rescue Plan Act. The City did not subgrant funds to other governments and organization nor were funds returned to any granting agency, and no funds were spent on-behalf of other governments. The City also did not receive on-behalf of grants from another government.

20. COMPONENT UNIT-HILLSBORO COMMUNITY IMPROVEMENT CORPORATION (CIC)

As more fully described in Note 1, the CIC was formed during fiscal year 2021. The basic financial statements of the CIC were prepared using the accrual basis of accounting in conformity with generally accepted accounting principles.

As of December 31, 2022, the CIC only had assets consisting of a checking account. At December 31, 2022, the carrying amount of the CIC deposits was $35,541 and the bank balance was $35,541. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

The CIC did not have any liabilities as of December 31, 2022.

Additional information can be obtained from Ms. Brianne Abbott, Statutory Agent, Hillsboro Community Improvement Corporation, 130 North High Street, Hillsboro, Ohio, 45133.

21. NEW ACCOUNTING PRONOUNCEMENT

For 2022, the City implemented GASB Statement No. 87, "Leases" and Implementation Guide No. 2019-3, "Leases". GASB Statement No. 87 requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The objective of the Implementation Guide is to provide guidance that clarifies, explains, or elaborates on the requirements of Statement No. 87, "Leases". Changes for these implementations have been incorporated in the City's financial statements and note disclosures, but there was no effect on the City's previously reported net position/fund balances.

For 2022, the City implemented GASB Statement No. 91, "Conduit Debt Obligations". GASB Statement No. 91 provides a single method for government issuers to report conduit debt obligations and related commitments. The enhanced guidance is designed to eliminate diversity in practice associated with these issues. Statement 91 clarifies what is a conduit debt obligation; eliminates the option for government issuers to recognize conduit debt obligations, thereby providing a single method of reporting; broadens the definition of conduit debt obligations to include those for which government issuers (1) make related additional commitments, such as guarantees or moral obligation pledges, or (2) voluntarily agree to make debt service payments or request an appropriation for such payments, if necessary; clarifies how government issuers should account for and report (1) commitments they extend or voluntarily provide and (2) arrangements associated with conduit debt obligations, which often are characterized in practice as leases, but are not leases for financial reporting purposes; and enhances note disclosures. The City analyzed this Statement's applicability and determined there to be no impact on the financial statements or note disclosures.

21. NEW ACCOUNTING PRONOUNCEMENT (Continued)

For 2022, the City implemented GASB Statement No. 92, "Omnibus 2020". GASB Statement No. 92 includes guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements. The issues covered by GASB Statement No. 92, Omnibus 2020, include: modification of the effective date of Statement No. 87, "Leases", as well as associated implementation guidance, to fiscal years beginning after December 15, 2019, to address concerns regarding interim financial reports; reporting intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; the applicability of Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended," and Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended," to reporting assets accumulated for pensions and OPEB; the applicability of certain requirements of Statement No. 84, "Fiduciary Activities", to pension and OPEB arrangements; and measurement of liabilities and assets, if any, related to asset retirement obligations in a government acquisition. The City analyzed this Statement's applicability and determined there to be no impact on the financial statements or note disclosures.

For 2022, the City implemented GASB Statement No. 93, "Replacement of Interbank Offered Rates". GASB Statement No. 93 assists state and local governments in the transition away from existing interbank offered rates (IBORs) to other reference rates. It addresses those and other accounting and financial reporting implications of thereplacement of an IBOR by providing an exception to the lease modifications guidance in Statement 87 for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. The City analyzed this Statement's applicability and determined there to be no impact on the financial statements or note disclosures.

For 2022, the City implemented GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". GASB The requirements of Statement No. 97 that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of Statement No. 97 that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within Statement No. 97.

22. ACCOUNTABILITY AND COMPLIANCE

The City did not properly encumber funds for a payment, which is contrary to the Ohio Revised Code Section 5705.41(D).

The City had total appropriation in excess of total estimated resources, which is contrary to the Ohio Revised Code Section 5705.39.

23. RESTATEMENT OF NET POSITION/FUND BALANCES

The City reported the Bond Retirement Fund as a major fund in 2022, but had reported this fund as a non-major fund in prior fiscal years. This reclassification is reflected in the adjustments in the below schedule for Governmental Funds. The City discovered an error in reporting certain grant monies received in the prior year which should have been recorded as unearned rather than as intergovernmental revenue. The City has restated beginning balances to properly account for this error in reporting which had the following effect on net position and fund balances as of December 31, 2021:

	Governmental Activities
Net Position, December 31, 2021	$18,531,417
Adjustment:	
Correction of Error in Reporting Grant Revenue	(343,269)
Restated Net Position, December 31, 2021	$18,188,148

	General Fund	Street Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
Fund Balance, December 31, 2021	$2,896,535	$752,236	$ -	$1,909,845	$5,558,616
Adjustments:					
Correction of Error in Reporting Grant Revenue	-	-	-	(343.269)	(343,269)
Reclassification of Fund as a major fund	-	-	328,849	(328,849)	-
Restated Fund Balance, December 31, 2021	$2,896,535	$752,236	$328,849	$1,237,727	$5,215,347

City of Hillsboro
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System
Last Nine Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability	0.016101%	0.015961%	0.015254%	0.015117%	0.016025%	0.014805%	0.014981%	0.015094%	0.015094%
City's proportionate share of the net pension liability	$ 1,400,852	$ 2,363,476	$ 3,015,056	$ 4,140,240	$ 2,514,012	$ 3,361,074	$ 2,594,898	$ 1,820,505	$ 1,779,386
City's covered payroll	$ 2,385,407	$ 2,278,164	$ 2,042,207	$ 1,232,950	$ 2,189,700	$ 1,977,133	$ 1,921,650	$ 1,911,250	$ 2,054,054
City's proportionate share of the net pension liability as a percentage of its covered payroll	58.73%	103.74%	147.64%	335.80%	114.81%	170.00%	135.03%	95.25%	86.63%
Plan fiduciary net position as a percentage of the total pension liability	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

Note: Information not available prior to 2014.
Amounts presented as of the City's measurement date
which is the prior fiscal year.

See the accompanying notes to the required supplementary information.

City of Hillsboro
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension System
Last Nine Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability	0.0289068%	0.0301911%	0.0298322%	0.0328730%	0.0301680%	0.0318010%	0.0342040%	0.0332208%	0.0332208%
City's proportionate share of the net pension liability	$ 1,805,930	$ 2,058,154	$ 2,009,656	$ 2,683,304	$ 1,851,561	$ 2,014,274	$ 2,200,367	$ 1,763,398	$ 1,656,393
City's covered payroll	$ 824,547	$ 814,153	$ 794,853	$ 825,974	$ 732,111	$ 759,853	$ 773,379	$ 712,989	$ 1,506,581
City's proportionate share of the net pension liability as a percentage of its covered payroll	219.02%	252.80%	252.83%	324.87%	252.91%	265.09%	284.51%	247.32%	109.94%
Plan fiduciary net position as a percentage of the total pension liability	75.03%	70.65%	69.89%	63.07%	70.91%	68.36%	66.77%	71.71%	72.53%

Note: Information prior to 2014 is not available.
Amounts presented as of the City's measurement date

See the accompanying notes to the required supplementary information.

City of Hillsboro

Required Supplementary Information
Schedule of City Pension Contributions
Ohio Public Employees Retirement System
Last Ten Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 363,550	$ 333,957	$ 318,943	$ 285,909	$ 172,613	$ 284,661	$ 237,256	$ 230,598	$ 229,350	$ 267,027
Contributions in relation to the contractually required contribution	(363,550)	(333,957)	(318,943)	(285,909)	(172,613)	(284,661)	(237,256)	(230,598)	(229,350)	(267,027)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered payroll	$ 2,596,786	$ 2,385,407	$ 2,278,164	$ 2,042,207	$ 1,232,950	$ 2,189,700	$ 1,977,133	$ 1,921,650	$ 1,911,250	$ 2,054,054
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

See the accompanying notes to the required supplementary information.

City of Hillsboro

Required Supplementary Information

Schedule of City Pension Contributions

Ohio Police and Fire Pension System

Last Ten Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contributior	$ 155,532	$ 156,664	$ 154,689	$ 151,022	$ 156,935	$ 139,101	$ 144,372	$ 146,942	$ 135,468	$ 239,245
Contributions in relation to the contractually required contribution	(155,532)	(156,664)	(154,689)	(151,022)	(156,935)	(139,101)	(144,372)	(146,942)	(135,468)	(239,245)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered payroll	$ 818,589	$ 824,547	$ 814,153	$ 794,853	$ 825,974	$ 732,111	$ 759,853	$ 773,379	$ 712,989	$ 1,506,581
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	15.88%

See the accompanying notes to the required supplementary information

City of Hillsboro

Required Supplementary Information

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

Ohio Public Employees Retirement System

Last Six Years (1)

	2022	2021	2020	2019	2018	2017
City's proportion of the net OPEB liability (asset)	0.01528200%	0.01517000%	0.01466300%	0.01457200%	0.01546600%	0.01430000%
City's proportionate share of the net OPEB liability (asset)	$ (478,656)	$ (270,266)	$ 2,025,341	$ 1,899,845	$ 1,679,494	$ 1,444,350
City's covered payroll	$ 2,385,407	$ 2,278,164	$ 2,042,207	$ 1,232,950	$ 2,189,700	$ 1,977,133
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-20.07%	-11.86%	99.17%	154.09%	76.70%	73.05%
Plan fiduciary net position as a percentage of the total OPEB liability	128.23%	115.57%	47.80%	46.33%	54.14%	54.05%

(1) Information prior to 2017 is not available.

See the accompanying notes to the required supplementary information.

City of Hillsboro
Required Supplementary Information
Schedule of the Citys's Proportionate Share of the Net OPEB Liability
Ohio Police and Fire Pension System
Last Six Years (1)

	2022	2021	2020	2019	2018	2017
City's proportion of the net OPEB liability	0.02890680%	0.03019110%	0.02983200%	0.03287300%	0.03016800%	0.03180100%
City's proportionate share of the net OPEB liability	$ 316,843	$ 319,880	$ 294,674	$ 299,359	$ 1,709,277	$ 1,509,522
City's covered payroll	$ 824,547	$ 814,153	$ 794,853	$ 825,974	$ 732,111	$ 759,853
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	38.43%	39.29%	37.07%	36.24%	233.47%	198.66%
Plan fiduciary net position as a percentage of the total OPEB liability	46.90%	45.42%	47.08%	46.57%	14.13%	15.96%

(1) Information prior to 2017 is not available.

See the accompanying notes to the required supplementary information.

City of Hillsboro
Required Supplementary Information
Schedule of the City's OPEB Contributions
Ohio Public Employees Retirement System
Last Seven Years (1)

	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ 21,888	$ 39,557
Contributions in relation to the contractually required contribution	-	-	-	-	-	(21,888)	(39,557)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 2,596,786	$ 2,385,407	$ 2,278,164	$ 2,042,207	$ 1,232,950	$ 2,189,700	$ 1,977,133
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	2.00%

(1) Information prior to 2016 is not available.

See the accompanying notes to the required supplementary information.

City of Hillsboro
Required Supplementary Information
Schedule of the City's OPEB Contributions
Ohio Police and Fire Pension System
Last Seven Years (1)

	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 4,086	$ 4,116	$ 4,064	$ 3,968	$ 4,123	$ 3,655	$ 3,793
Contributions in relation to the contractually required contribution	(4,086)	(4,116)	(4,064)	(3,968)	(4,123)	(3,655)	(3,793)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 818,589	$ 824,547	$ 814,153	$ 794,853	$ 825,974	$ 732,111	$ 759,853
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

(1) Information prior to 2016 is not available.

See the accompanying notes to the required supplementary information.

Note 1 – Ohio Public Employees Retirement System

Pension

Changes in benefit terms

There were no significant changes in benefit terms for 2015 through 2017.

For 2018, COLAs provided up to December 31, 2018 will be based upon a simple, 3 percent COLA. COLAs provided after December 31, 2018 continue to be simple, but will be based upon the annual percentage change in the Consumer Price Index (CPI), and not greater than 3 percent.

There were no significant changes in benefit terms for 2019 or 2020.

For 2021, 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.

For 2022, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from .5 percent simple through 2021 then 2.15 percent simple to 3 percent simple through 2022 then 2.05 percent simple.

Changes in assumptions

There were no significant changes in assumptions for 2015 through 2016.

For 2017, the investment rate of return decreased from 8.0 percent to 7.5 percent.

For 2018, the employer contribution rate allocated to pensions increased from 13.00 percent to 14.00 percent.

For 2019, the investment rate of return decreased from 7.5 percent to 7.2 percent.

There were no significant changes in assumptions for 2020 or 2021.

For 2022, the investment rate of return decreased from 7.2 percent to 6.9 percent.

OPEB

Changes in benefit terms

There were no significant changes in benefit terms for 2018 through 2022.

Changes in assumptions

Changes in assumptions for 2018 were as follows:

- The single discount rate decreased from 4.23 percent to 3.85 percent.
- The employer contribution rate allocated to health care decreased from 1.00 percent to 0.00 percent.

For 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.

For 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 10.00 percent to 10.50 percent.

For 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 10.50 percent to 8.50 percent.

For 2022, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The wage inflation rate decreased from 3.25 percent to 2.75 percent.
- The municipal bond rate decreased from 2.00 percent to 1.84 percent.
- The initial health care cost trend rate decreased from 8.50 percent to 5.50 percent.

<u>Note 2 – Ohio Police and Fire Pension Fund</u>

Pension

<u>Changes in Assumptions</u>

Amounts reported beginning in 2022 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2018 and in 2017 and prior are presented below:

	Beginning in 2022
Valuation Date	January 1, 2021 with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple per year

	2018 through 2021	2017 and Prior
Valuation Date	January 1, 2017 with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016 with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3 percent simple; 2.2 percent simple for increase based on the lesser of the increase in CPI and 3 percent	3 percent simple; 2.6 percent simple for increase based on the lesser of the increase in CPI and 3 percent

Amounts reported beginning in 2018 use valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

Amounts reported beginning in 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent Modified 2016 Improvement Scale.

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

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

OPEB

Changes in Assumptions

Single Discount Rate:	
2022	2.84 percent
2021	2.96 percent
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

For 2022, the investment rate of return decreased from 8 percent to 7.5 percent.

Changes in Benefit Terms

There were no significant changes in benefit terms for 2018.

For 2019, OP&F recognized a change in benefit terms. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years.

There were not significant changes in benefit terms for 2020 through 2022.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

City Council
City of Hillsboro
130 North High Street
Hillsboro, Ohio 45133

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, the business-type activities, each major fund and the aggregate discretely presented component unit and remaining fund information of the City of Hillsboro, Highland County (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 1, 2023, wherein we noted the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal controls, described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-003 and 2022-004.

The City's Response to Findings

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

Purpose of this Report

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

Millhuff-Stang, CPA, Inc.
Wheelersburg, Ohio

December 1, 2023

Finding 2022-001 – Material Weakness – Budget Information Within Accounting System

Accurate and complete reporting of budgetary information in the accounting system is pertinent to a properly functioning control environment. Officials of the City rely on information recorded within the accounting system to make spending and budgeting decisions. During testing, we noted that several funds' estimated receipts in the accounting system did not match the final certificate of estimated resources. Additionally, the beginning unencumbered balances were under reported by prior year encumbrances. The City should implement the appropriate procedures, such as periodic reconciliations of budgetary information within the accounting system to formally approved budgets, to ensure that budgetary information is properly presented.

Client Response:
We will ensure all budgetary filings are submitted to the County Auditor.

Finding 2022-002 – Material Weakness – Financial Reporting

A monitoring system by the City should be in place to prevent or detect misstatements for the fair presentation of the City's financial statements, and which would also include assurance that changes in accounting pronouncements are properly implemented, as applicable.

Various errors were identified in the financial statements, most of which were the result of errors in year-end processes during the conversion of the cash basis financial records to financial statements presented in accordance with generally accepted accounting principles. Of these variances, the City misclassified unearned revenues in the prior audit period in the American Rescue Plan Act fund. We also noted misclassifications of debt balances. These amounts were material and required correction within the financial statements. The remaining variances were deemed to be immaterial and correction was waived by the audit team and management. These variances included overstated income taxes receivable and related unavailable revenue, misclassified intergovernmental revenue, misclassified net position balances, and overstated ending cash balance for the municipal court.

Additionally, errors were identified within budgetary figures on the budgetary statements. Material errors were corrected in the budgetary statement of the General Fund and Street Fund.

The City should review its control processes to ensure that transactions are properly recorded during the year. The City should also correspond with its compilation consultant to ensure that errors are discussed and a corrective action plan is put in place for subsequent engagements.

Client Response:
We will continue to work with our compiler to ensure that transactions are properly recorded during the year.

Finding 2022-003 – Material Citation – Ohio Revised Code Section 5705.41(D)

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The statute provides the following exceptions to this basic requirement:

<u>Continuing Contracts to be performed in Whole or in Part in an Ensuing Fiscal Year:</u> Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made needs to be certified.

<u>Per Unit Contracts:</u> Where contracts are entered into on a per unit basis, only the amount estimated to become due in the current fiscal year need be certified.

Finding 2022-003 – Material Citation – Ohio Revised Code Section 5705.41(D) (continued)

Contract or Lease Running Beyond the Termination of the Fiscal Year Made: Pursuant to Section 5705.44, Ohio Revised Code, where a contract or lease runs beyond the termination of the fiscal year in which it is made, only the amount of the obligation maturing in the current fiscal year need be certified. The remaining amount is a fixed charge required to be provided for in the subsequent fiscal year's appropriations as a fixed charge.

We noted one payment for $138,837.51 in the Storm Sewer fund for 2022 construction that was not encumbered in the proper period. The City should implement budgetary monitoring procedures to ensure that funds are properly and timely encumbered prior to commitment.

Client Response:
We are putting measures in place to make sure contracts are understood and to encumber amounts in the proper period.

Finding 2022-004 – Material Citation – Ohio Revised Code Section 5705.39

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources. The City had appropriations in excess of estimated resources in the General Fund, Storm Sewer Maintenance Fund, and the General Bond Retirement Fund. The City should implement the appropriate procedures, such as periodic comparisons of estimated resources to appropriations, to ensure that appropriations are limited to estimated resources to ensure improper spending does not occur.

Client Response:
We plan to provide amendments in our accounting system to the County Auditor.

Finding Number	Finding Summary	Status	Additional Information
Finding 2021-001	Material Weakness – Budget Information Within Accounting System	Not Corrected	Reissued as Finding 2022-001
Finding 2021-002	Material Weakness – Financial Reporting	Not Corrected	Reissued as Finding 2022-002

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OHIO AUDITOR OF STATE
KEITH FABER

CITY OF HILLSBORO

HIGHLAND COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 2/15/2024