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| **Note: This shell is a guide for preparing your annual footnotes to the financial statements when filed on the OCBOA Basis. These footnotes are not all inclusive and might include disclosures not applicable to your particular City. Modify, delete, or add additional disclosures as necessary.** **Items highlighted in yellow are provided for guidance purposes only and should be deleted prior to submission.****See GASB Codification 2300 – Notes to the Financial Statements. As explained in paragraph .102, the notes to the financial statements should communicate information essential for fair presentation of the basic financial statements that is not displayed on the face of the financial statements. As such, the notes form an integral part of the basic financial statements. Notes should focus on the primary government—specifically, its governmental activities, business-type activities, major funds, and nonmajor funds in the aggregate. Information about the government's discretely presented component units should be presented as discussed in paragraph .105.****Items highlighted in green are items that are generic and should be reviewed for entity specific information and modified to report specifics for your city.****In this sample 20CY means current year and 20PY means prior year and would be replaced with the four-digit current year (for example 2023) or four-digit prior year (for example 2022).** |

***Aqua Highlights are 2023 updates.***

* ***Where these highlights are included within yellow highlighted areas, this information is for reference only and should be deleted prior to submission.***
* ***Where these highlights are included within green highlighted areas, this information should be reviewed and modified to report specifics for your entity.***
* ***Where these highlights are not within another color, you will need to review to determine if this applies to your specific entity and modify or delete.***
* ***Please note, Note 25 related to COVID-19 has been updated.***

*Other GASB pronouncements to consider include:*

*GASB 94, Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA) \**

*GASB 96, Subscription-Based Information Technology Arrangements \* \*\**

*GASB 99, Omnibus 2022 \**

*GASB Implementation Guide No. 2021-1,“Implementation Guidance Update—2021” \**

*\*You may want to review these GASB pronouncements and the Implementation Guide for any potential impact to your financial statements.*

*\*\*See AOS Bulletin 2023-005 (*[Bulletin\_2023-005.pdf (ohioauditor.gov)](https://ohioauditor.gov/publications/bulletins/2023/Bulletin_2023-005.pdf))

**Note 1 – Reporting Entity**

(Modify as needed)

The City of XYZ (the City) is a home rule municipal corporation established under the laws of the State of Ohio. The City operates under its own Charter made effective \_\_\_\_\_\_\_\_. The Charter, as amended, provides for a Council-Mayor form of government. Four council members are elected from wards for four-year terms. The Mayor, President of Council and three council members are elected by separate ballot from the municipality at large for four-year terms. The Mayor may veto any legislation passed by Council. In addition to establishing City policies, Council is responsible for passing ordinances, adopting the budget, and appointing boards and commissions. The Mayor is responsible for carrying out the policies and ordinances of Council, for overseeing the day-to-day operations of the City and for appointing the heads of the various City departments.

If the City has been declared in any state of fiscal distress by the Auditor of State’s office, a brief summary of the date of declaration, and establishment of a financial planning and supervision commission (if fiscal emergency), and a summary of the financial recovery plan should be included here.

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

***Primary Government***

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the City. The primary government of the City of XYZ provides the following services to its citizens: police and fire protection, parks and recreation, building inspection, street maintenance and repairs, water, sewer and refuse collection. Council has direct responsibility for these services. [*Modify description of services, as necessary. The services should match the disbursement classifications on the “income statement.” For example, significant amounts spent for “Security of persons and property” may consist of the police services described above*.]

***Component Units***

*(Delete if there are no component units.)* 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 organization for which the City authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. *Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the City, accessible to the City, and significant in amount to the City.* (*Delete if no tax-exempt entities are included per GASB 39. Also,* *Auditor of State Bulletin 2004-001 provides guidance on determining significance.)*

*Describe any included component units and the GASB Statement 14/39/61 criteria mandating their inclusion (e.g., appointment of a majority of the governing board). For any blended component units presented with aggregated nonmajor funds, disclose whether they are presented with governmental, enterprise or fiduciary funds.*

Separately-audited statements for *[name of component unit]* are available from *[title of chief fiscal officer, address, etc.].*

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

*[Review GASB Codification 2100, Defining the Financial Report Entity, for guidance. Delete if the City does not participate in jointly governed organizations, joint ventures and/or public entity risk pools or is not associated with related organizations.]*

*(Delete if the City does not participate in a joint venture.)* A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. *(Delete if no equity interests in joint ventures.)* Under the *modified* cash basis of accounting, the City does not report assets for equity interests in joint ventures.

*(Delete if the City does not participate in any jointly governed organizations, public entity risk pools, and/or related organizations.)* The City participates in several jointly governed organizations and public entity risk pools and is associated with a related organization. These organizations are presented in Notes XX, XX, and XX to the financial statements.

*(Delete if none.)* The following entities perform activities within the City’s boundaries for the benefit of its residents. The financial statements of these entities are excluded from the City’s financial statements because the City is not financially accountable for these entities nor are they fiscally dependent on the City:

*(Describe any excluded entities.)*

The City’s management believes these financial statements present all activities for which the City is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in the “Basis of Accounting” section of this note, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the City’s accounting policies.

***Basis of Presentation***

*Edit this section of the notes for the financial statements that are included in your financial statements – delete any information that you are not presenting.*

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

***Government-Wide Financial Statements*** The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” receipts and disbursements. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance, inventory, prepaid items, interfund loan balances, capital assets and debt *(modify as needed)* of the governmental and business-type activities of the City at year end. The statement of activities compares disbursements and program receipts for each program or function of the City’s governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the City is responsible. Program receipts 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 receipts of interest earned on grants that are required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the City, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a modified cash basis or draws from the general receipts of the City.

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds’ principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

***Fund Accounting***

*[Review GASB Codification 1300, Fund Accounting, paragraphs .104-.116, and GASB 84 “Fiduciary Activities” for guidance.]*

*Edit this section of the notes for the financial statements that are included in your financial statements – delete any information that you are not presenting.*

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

***Governmental Funds*** Governmental funds are those through which most governmental functions of the City are financed. The following are the City’s major governmental funds: *(Each major governmental fund’s description should be specific to the fund and not a generic fund-type description**. Each major special revenue fund’s description should disclose the fund’s purpose and identify the revenue and other resources reported in the fund.)*

***General*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for maintenance and repair of streets within the City.

***Special Assessment Bond Retirement Fund*** The special assessment bond retirement fund accounts for and reports resources restricted for the retirement of debt issued to finance public improvements deemed to benefit the properties against which special assessments are levied.

***Capital Improvements Fund*** The capital improvements fund accounts for and reports that portion of municipal income tax committed by Council for the purpose of improving, constructing, and purchasing those items necessary to enhance the operation of the City.

The other governmental funds of the City account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

***Proprietary Funds*** The City classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

***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*** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the City.

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

***Internal Service Fund*** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City’s internal service fund accounts for monies received for the activities of the self-insurance program for employee health benefits.

***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, or equivalent arrangement that has certain characteristics, for individuals, private organizations, or other governments and are not available to support the City’s own programs. The City does not have any trust funds *(or describe the nature of any trust funds)*. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City’s custodial funds account for amounts collected and distributed on behalf of another government or organization *(modify to describe the nature of custodial funds)*.

(Note: classifying private purpose funds requires judgment. If the intent generally benefits the City’s own programs, permanent or special revenue fund classification is appropriate. However, if the intent is to benefit a specific individual, private organization, or another government which is not available to support the City’s own programs, private purpose trust fund classification may be more appropriate provided the fund meets the GASB 84 fund definition described below.) GASB 84 clarified these requirements for classifying a fund as a private purpose trust fund, including that the assets are (a) administered through a trust in which the government itself is *not* a beneficiary, (b) dedicated to providing benefits to recipients in accordance with the benefit terms, and (c) legally protected from the creditors of the government. See Bulletin 2020-003 for additional classification guidance.)

***Basis of Accounting***

The City’s financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the City’s financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the City are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If using modified cash, include explanation of modification you are making.

*Two criteria which are helpful in determining whether a modification to the cash basis has substantial support are:*

1. *The modification is equivalent to the accrual basis of accounting (or modified accrual basis, where applicable, in GAAP for state and local governments) for a particular item; and,*
2. *The modification is not illogical.*

*In the process of implementing the modified cash basis, the City should use the following criteria:*

1. *The modifications should be made only to transactions initially derived from cash receipts or disbursements; and,*
2. *The modifications should have substantial support by being both equivalent to GAAP and logical.*

*For example, a modification to report capital assets should involve recording and depreciating only capital assets that result from cash transactions. This modification should not involve the recording and depreciating of capital assets (including the intangible right to use) resulting from financed purchases or lease, SBITA, PPP or APA transactions or donated capital assets, unless these assets are the result of a cash transaction. Depreciating capital assets that were acquired with cash is considered logical because it is a GAAP-equivalent allocation of the cash basis assets’ costs over the assets’ useful lives.*

*The related note disclosure may need updated to correspond with the modifications being made, including GASB 87, GASB 95 and GASB 96.*

***Budgetary Process***

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 City Council may appropriate.

The appropriations ordinance is City Council’s authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund, department, and object level for all funds. *(Modify as needed. ORC Section 5705.38(C) requires the minimum level of control to be at the office, department, division, and, within each, the amount appropriated for personal services.)*

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

The appropriations ordinance 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 ordinance 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 City Council during the year.

***Cash and Investments***

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage, bond reserves and debt service are reported as “Cash and Cash Equivalents with Fiscal Agents.”

The City uses a fiscal agent to hold retainage on construction contracts. The balances in these accounts are presented on the financial statements as “Cash and Cash Equivalents with Fiscal Agents” and represent deposits or short-term investments in certificates of deposit.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During 20CY, the City invested in nonnegotiable certificates of deposit, repurchase agreements, federal agency securities, a money market mutual fund, and STAR Ohio. Investments are reported at cost, except for the money market mutual fund and STAR Ohio. The City’s money market mutual fund investment is recorded at the amount reported by *[institution’s name]* on December 31, 20CY.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice for deposits and withdrawals of $100 million or more is appreciated. STAR Ohio reserves the right to limit the transaction to $250 million per day.

Interest earnings are allocated to City funds according to State statutes, the Charter and Codified Ordinances of the City, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 20CY was $\_\_\_\_\_\_\_\_\_\_\_ which includes $\_\_\_\_\_\_\_ assigned from other City funds.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the City are reported as restricted. Restricted Assets in the enterprise funds represent amounts withheld on construction contracts, amounts set aside to satisfy bond indenture requirements for current and future debt payments and the replacement and improvement of capital assets originally acquired with bond proceeds. *(Modify as needed.)*

***Inventory and Prepaid Items***

The City reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Inventories resulting from cash transactions are presented at cost on a first-in, first-out basis and are reported as disbursements when used. Prepaid items are reported as disbursements when consumed. *(Modify as needed.)*

***Capital Assets***

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

*(Sample disclosure if the City chooses to report and depreciate capital assets arising from cash transactions.)* The City’s general capital assets are capital assets which are associated with and generally arise from governmental activities. They result from disbursements, generally from the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

Prior to \_\_\_\_\_\_\_\_\_\_\_, governmental infrastructure assets were not capitalized. Infrastructure assets acquired since \_\_\_\_\_\_\_\_\_ are recorded at cost. The City maintains a capitalization threshold of $\_\_\_\_\_\_. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

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***Interfund Receivables/Payables***

The City reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

The fund financial statements report outstanding interfund loans as interfund receivables/payables. Interfund loans which do not represent available expendable resources are classified as nonspendable fund balance. Interfund balances are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the City’s modified cash basis of accounting.

***Employer Contributions to Cost-Sharing Pension Plans***

The City recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes XX and XX, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

***Pensions***

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

***Long-Term Obligations***

The City’s modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset (including the intangible right to use) when entering into a lease, SBITA or financed purchase transaction is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments, SBITA payments, and financed purchase payments are reported when paid. *(Modify if the City chose to modify the cash basis of accounting to record and report long-term obligations arising from cash transactions in the financial statements.)* Delete reference to leases, SBITAs, and/or financed purchases if there are none Also, add reference to GASB 94 PPP and APA, if needed.

***Leases and SBITAs***

For 2023, GASB Statement No. 96, Subscription-Based Technology Arrangements, was effective. This GASB pronouncement had no effect on beginning net position/fund balance.

The City is the lessor/lessee (as defined by GASB 87) in various leases related to buildings, vehicles and other equipment under noncancelable leases. Lease receivables/deferred inflow of resources and intangible right to use asset/lease payable are not reflected under the City’s modified cash basis of accounting. Lease revenue/disbursements are recognized when they are received/paid. (Edit as needed. This note can be deleted if the City has no GASB 87 leases. No disclosure is needed for GASB 87 short-term leases.)

The City has entered into noncancelable Subscription-Based Information Technology Arrangements (SBITA) contracts (as defined by GASB 96) for several types of software including contracts related to financial systems, scheduling, and various other software. Subscription assets/liabilities are not reflected under the City’s modified cash basis of accounting. Subscription disbursements are recognized when they are paid. (*Edit as needed. This paragraph and the reference in the heading can be deleted if the City has no GASB 96 SBITAs*. *No disclosure is needed for GASB 96 short-term SBITAs.)*

*The following is instructional. If the City has any PPPs or APA under GASB 94, add explanation and edit first paragraph to also address GASB Statement No 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. Sample explanation is as follows:*

The City is the transferor/operator in a Public-Private/Public-Public Partnership (as defined by GASB 94) related to explain the purpose of arrangement under a noncancelable arrangement. Installment receivables/deferred inflow of resources and intangible right to use asset/installment liability are not reflected under the City’s modified cash basis of accounting. Installment revenue/disbursements are recognized when they are received/paid. (*Edit as needed. Disclosure can be expanded to address all relevant information. This note can be deleted if the Entity has no GASB 94 PPPs. Also, edit the heading as appropriate.)*

Also, include any related capital asset disclosures in the capital asset section of the SSAP or in the Capital Asset Note.

***Settlement Monies***

Ohio has reached settlement agreements with various distributors of opioids which are subject to the OneOhio memorandum of understanding. The original settlement was reached in 2021 with annual payments anticipated through 2038. For 2023, distributions of $xx,xxx are reflected as miscellaneous revenue in the OneOhio Special Revenue Fund (update as appropriate) in the accompanying financial statements. This paragraph can be deleted if the City is not a participant in this settlement.

During 2023, Ohio reached a settlement agreement with Monsanto. As a participating subdivision, the City received a settlement payment of $XXX during 2023. This amount is reflected as miscellaneous revenue in the XXX Fund (update as appropriate) in the accompanying financial statements. This paragraph can be deleted if the City is not a participant in this settlement.

***Net Position***

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. *(Delete if none reported.)* Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for [describe most significant purposes included in other purposes].

The City’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. *(Modify as needed.)*

Disclose amount restricted by enabling legislation.

***Fund Balance***

*[Review GASB 54, Fund Balance Disclosures, paragraphs 5-23 and GASB Codification 1800, Classification and Terminology, paragraph .184, for guidance.]*

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 category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

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

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

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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.

***Internal Activity***

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

***Extraordinary and Special Items***

*(Delete if none.)* Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

***Estimates***

*(Delete if none.)* The modified cash basis of accounting used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

**Note 3 – Accountability and Compliance**

***Accountability***

Describe any deficit fund balances/net position and management’s actions taken to address any such deficits.

***Compliance***

Describe any significant violations of finance-related legal or contractual provisions and management’s actions taken to address such violations.

Ohio Administrative Code, Section 117-2-03 (B), requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

*The notes should disclose significant violations of finance-related legal or contractual provisions. GASB does not define what are considered significant violations, but other literature provides the following examples:*

*Disclose any instance where the accounting system does not include a fund required by law or regulation to help assure restrictions on disbursements are met.*

*Disclose ANY excess of disbursements over appropriations in the general or major special revenue funds included in budgetary statements. Disclose in footnotes to RSI if presented as RSI.*

*Disclose any significant excess of disbursements over appropriations for other funds.*

*Disclose any other significant budgetary violations such as appropriating more than what was certified available for appropriation.*

*Disclose any deficit fund equity in nonmajor funds.*

*Disclose violations of debt covenants or contracts.*

*Disclose significant violations of grant requirements such as disallowed costs or failure to meet eligibility requirements or matching requirements that may require repayment.*

*Disclose violations of laws relating to investments and deposits.*

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the general fund is (and any major special revenue fund are) prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the *modified* cash basis are as follows:

1. Outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (*modified* cash basis).
2. Outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (*modified* cash basis).
3. Unreported interest is reported on the statement of *modified* receipts, disbursements, and changes in fund balances (cash basis), but not on the budgetary basis.

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis are as follows:



**Note 5 – Deposits and Investments**

*(Modify as appropriate considering the City’s investment policy.)*

Monies held by the City are classified by State statute into three categories.

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

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

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

(Include only if no custodial credit risk.) Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the City can 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.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of settlement, 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. ***(Delete if included as part of interest rate risk.)***

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

***(Delete if the City did not pass an ordinance.)*** *The City has passed an ordinance allowing the City to invest monies not required to be used for a period of six months or more in the following:*

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

At year end, the City had $\_\_\_\_\_\_\_\_ in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

***Deposits***

*Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions have the option of participating in OPCS or collateralizing utilizing the specific pledge method. The following note will need to be customized to fit the City’s specific situation: 1) Participating in OPCS or 2) Financial institution utilizing specific securities to collateralize deposits.*

*(Delete if no such exposure.)* 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. At year end, $\_\_\_\_\_\_\_\_\_\_\_ of the City’s bank balance of $\_\_\_\_\_\_\_\_\_\_\_\_ was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The City’s financial institution was approved for a reduced collateral rate of XX percent through the Ohio Pooled Collateral System. *(Modify as needed. Include explanation for why deposits were uncollateralized. Explanation above applies to local government with financial institutions that have a reduced collateral rate.) Note: Collateral held by the pledging financial institution or amounts collateralized with securities held by the pledging financial institutions trust department or agent but not in the depositor government’s name can expose the government to custodial credit risk and should be explained.*

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

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

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

*Modify the above to include an explanation as to why deposits are exposed to custodial credit risk. Amounts not collateralized for other reasons may be contrary to Ohio law and should be identified as such.*

***Investments***

(Delete if no such exposure.)

The fair value of these investments is not materially different than measurement value. As of December 31, 20CY, the City had the following investments: (While samples of specific identification and segmented time distribution tables follow, the City should select one to include.)



***Interest Rate Risk*** (Delete if no such exposure.) Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City’s investment policy addresses interest rate risk by requiring the City’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments. *(Modify as needed.)*

***Credit Risk*** (Delete if no such exposure.) The security underlying the repurchase agreement, the federal national mortgage association notes, federal home loan corporation notes and the federal home loan bank notes carry a rating of \_\_\_\_\_\_\_\_\_ by \_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_ by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. STAR Ohio carries a rating of AAAm by Standard and Poor’s. The money market mutual fund carries a rating of \_\_\_\_\_\_ by \_\_\_\_\_\_\_\_\_\_\_\_\_\_. The City has no investment policy dealing with investment credit risk beyond the requirements in State statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized statistical rating organization and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized statistical rating organization. (Modify as needed. ORC Section 135.14 also contains credit risk requirements for commercial paper notes, which could be disclosed if the City invests in commercial paper notes and does not have an investment of its own policy regarding the notes.)

***Custodial Credit Risk*** (Delete if no such exposure.) For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreement, federal national mortgage association notes, federal home loan mortgage corporation notes, and the federal home loan bank notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the City’s name.

The City has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, governing board, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.” *(Modify as needed.)*

***Concentration of Credit Risk*** (Delete if no such exposure.) The City places no limit on the amount it may invest in any one issuer. The following investments represent five percent or more of total investments as of December 31, 20CY:



Customize above table as needed.

**Note 6 – Taxes**

***Property Taxes***

This sample note uses dates and years appropriate for reporting the year ended December 31, 2023.

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2023 for real and public utility property taxes represents collections of 2022 taxes.

2023 real property taxes are levied after October 1, 2023, on the assessed value as of January 1, 2023, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2023 real property taxes are collected in and intended to finance 2024.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2023 public utility property taxes which became a lien December 31, 2022, are levied after October 1, 2023, and are collected in 2024 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2023, was $X.XX per $1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2023 property tax receipts were based are as follows:



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

***Income Taxes***

The City levies a \_\_\_\_ percent income tax on substantially all income earned in the City. In addition, City residents employed in municipalities having an income tax less than \_\_\_ percent must pay the difference to the City. Additional increases in the income tax rate require voter approval. Employers within the City withhold income tax on employee compensation and remit at least quarterly and file an annual declaration.

The City’s income tax ordinance requires \_\_\_ percent of the income tax receipts to be used to finance capital improvements. As a result, this portion of the receipts is allocated to the capital improvement capital projects fund each year. The remaining income tax receipts are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 20CY, the receipts were allocated to the general fund and the capital improvements fund.

***Tax Abatements***

*Auditor of State Bulletin 2017-001 provides additional guidance.*

(Delete if no tax abatements to disclose.)

Incorporate appropriate GASB 77 disclosures.

For purposes of GASB Statement No 77, the definition of a tax abatement is: A reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. (GASB 77, paragraph 4) See paragraphs 7 and 8 of GASB 77 for specific information related to disclosures of tax abatements.

Generally, disclosures for governments that abate taxes should include: Brief descriptive information, such as the name and purpose of the abatement, the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; the gross dollar amount of taxes abated during the period; commitments made by a government, other than to abate taxes, as part of a tax abatement agreement; amounts received or receivable from other governments in association with the foregone tax revenue.

Generally, disclosures of tax abatement agreements of other governments reducing the reporting government’s tax revenues should include: The names of the governments that entered into the agreements and the specific taxes being abated; the gross dollar amount of taxes abated during the period; amounts received or receivable from other governments in association with the foregone tax revenue

If information is omitted because it is legally prohibited from being disclosed, include a description of the general nature of the omitted information and the specific source of the legal prohibition.

**Note 7 – Interfund Balances and Transfers**

***Transfers***

During 20CY the following transfers were made:



The above-mentioned Transfers From/To were used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Nonroutine transfers from the Major Special Revenue Fund and other nonmajor governmental funds were in compliance with Ohio Revised Code to either make debt payments or for designated projects. (Modify as Needed)

***Interfund Balances***

Interfund balances at December 31, 20CY, consisted of the following individual fund receivables and payables:



Interfund balances at December 31, 20CY, consisted of $XXX,XXX advanced to other governmental funds to provide working capital for operations or projects. The interfund receivables/payables are expected to be repaid within one year. *(Modify as needed.)*

**Note 8 – Risk Management**

[Note: Use only the paragraphs that apply. Some of the descriptions are mutually exclusive, so you must make appropriate modification.] [If your City belongs to Ohio Plan Healthcare Consortium, Inc. (OPHC), Ohio Plan Risk Management, Inc. (OPRM), Ohio Township Association Risk Management Authority (OTARMA) or Public Entities Pool (PEP), see <http://www.ohioauditor.gov/references/shells/footnotes.html> for applicable risk management footnote. Replace the applicable parts of the footnote below with the specialized footnote.]

[If the footnote at the link above is not for the fiscal year you are reporting, please obtain the necessary information from these risk management agencies, as applicable. If the footnote information is not available for your fiscal year from these agencies, use the most recent information available and add a note in your footnote referencing the time period of the information reported and indicate it is the most recent information available at the time the footnotes were prepared.]

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 20CY, the City contracted with several companies for various types of insurance as follows:

****

Settled claims have not exceeded this commercial coverage in any of the past three years and there was no significant reduction in coverage from the prior year.

The City participates in the Ohio Municipal League Group Rating Plan (GRP) for worker’s compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating cities is calculated as one experience and a common premium is applied to all cities in the GRP. Each participant pays its workers’ compensation premium to the state based on the rate for all cities in the GRP rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund.” This “equity pooling” arrangement ensures that each participant shares equally in the overall performance of the GRP. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ provides administrative, cost control and actuarial services to the GRP.

OR, if not included in a risk pool or group rating for WC, use the paragraph below:

Workers’ Compensation coverage is provided by the State of Ohio. The City pays the State Workers’ Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

The City manages employee health benefits on a self-insured basis. The employee health benefit plan provides basic health and dental coverage through \_\_\_\_\_\_\_\_, the third-party administrator (TPA) of the program, which reviews and pays the claims. A specific excess loss coverage (stop-loss) insurance policy covers claims in excess of $\_\_\_\_\_\_\_\_ per employee per year. The family, employee plus one, and single premiums were $\_\_\_\_\_, $\_\_\_\_\_\_\_, and $\_\_\_\_\_\_\_ for medical and $\_\_\_\_\_\_, $\_\_\_\_\_\_, and $\_\_\_\_ for dental, respectively. The TPA charges the City a medical administration fee of $\_\_\_\_ per employee per month and a dental administration fee of $\_\_\_\_\_ per employee per month.

**Self-Insurance Footnote Comments:**

This example footnote will always require considerable modification. For example, the illustration describes an entity that simultaneously has obtained commercial liability insurance, has no liability insurance, and has pooled its liability risk. Usually only one of these three conditions will apply.

The example also describes an entity that has joined a pool to insure liability risks and is self-insured for health insurance. The opposite may apply, or some other combination may apply.

As illustrated in the second *commercial insurance* paragraph, we request you disclose if you have elected to forego liability insurance. You would be considered uninsured when you have none of the following:

1. Commercial insurance coverage

2. A self-insurance fund

3. Fund equity reserved for self-insurance under 5705.13 (A) (2)

4. Participates in a self-insurance pool

5. Annual appropriations for claims costs reasonably sufficient to cover those costs.

There is no requirement to disclose a lack of health insurance coverage. Health insurance coverage is an employee benefit; failing to insure health coverage is a risk for employees, not a direct risk to a subdivision. Conversely, you should disclose if you have contractually agreed to cover employee health costs. Such costs are often significant and therefore of interest to financial statement readers.

The two-year comparison of cash and investments vs. actuarial-liabilities is a useful measurement of the adequacy of your funding methods / formulas. A significant excess of liabilities over assets or a trend showing a deteriorating excess of assets should warn management and financial statement users that current funding methods / formulas may require modification. In such instances, management must disclose plans to address the issue.

If the notes do not address management’s plans regarding a material deficiency of actuarial liabilities greater than related assets, your auditors will consider whether the disclosure is sufficient and whether a going concern contingency exists (see Auditing Standards Section AU-C 705). For going concern, considerations see GASB Codification Section 2250 Starting at Paragraph .117.

While the Auditor of State believes all subdivisions with significant self-insurance commitments should have an actuary measure the liability annually, the Revised Code does not require this for all subdivisions or all types of insurance (see Appendix 2 in Bulletin 2001-05). If the Revised Code requires the measurement, but you elect not to comply, you would be unable to prepare the comparison of assets with actuarial liabilities, and your auditors would need to consider (1) qualifying their financial statement opinions for an inadequate disclosure and (2) reporting a material noncompliance finding in the report on compliance and internal controls required by *Government Auditing Standards.*

However, if the Revised Code does not require you to actuarially measure your liabilities, the lack of an actuarial disclosure would not affect auditors’ reports. The disclosure could still describe the funding methods. You should also disclose if you were unable to pay claims in a timely manner.

**Note 9 – Defined Benefit Pension Plans**

**Refer to the most recent employer notices from OPERS and OP&F for the most updated disclosure information.**

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

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

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees 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 net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the modified cash basis framework.

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

***Ohio Public Employees Retirement System (OPERS)***

**Note: This shell includes state and local division, public safety division and law enforcement division. The note should be customized to include only the divisions in which your local government participates.**

**The OPERS portion of the note presents information for the traditional plan, combined plan and member-directed plan; if the combined plan and member-directed plan are immaterial, they may be deleted.**

Plan Description – City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to this plan. Participating employers are divided into state, local, law enforcement and public safety divisions.  While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

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



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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member’s pension benefit vests upon receipt of the initial benefit payment. The options for Public Safety and Law Enforcement permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

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

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

The following sentence should be deleted: Effective January 1, 2022, the Combined Plan is no longer available for member selection.

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



Employer contribution rates are actuarially determined within the constraints of statutory limits for each division and expressed as a percentage of covered payroll.

For 2023, The City’s contractually required contribution was $xxx,xxx for the traditional plan, $xx,xxx for the combined plan and $x,xxx for the member-directed plan.

***Ohio Police & Fire Pension Fund (OP&F)***

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

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

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

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

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

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

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

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

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

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Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OP&F was $xxx,xxx for 2023.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2023, the specific liability of the City was $xx,xxx payable in semi-annual payments through the year 2035.

***Pension Liability (Asset)***

The net pension liability (asset) for OPERS was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F’s total pension liability was measured as of December 31, 2022, and was determined by rolling forward the total pension liability as of January 1, 2022, to December 31, 2022. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share of the City’s defined benefit pension plans:



***Actuarial Assumptions – OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2022, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67:



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

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

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 for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 12.1 percent 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 geometric rates of return were provided by the Board’s investment consultant. For each major class that is included in the Defined Benefit portfolio’s target asset allocation as of December 31, 2022, these best estimates are summarized below:



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

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



***Changes between Measurement Date and Report Date*** (This note should discuss the nature of changes between the measurement date of the collective net pension liability and the employer’s reporting date that are expected to have a significant effect on the employer’s proportionate share of the collective net pension liability, and the amount of the expected resultant change in the employer’s proportionate share of the collective net pension liability, if known. The pension systems periodically update their assumptions and discount rate; these changes should be evaluated for inclusion in this note.)

***Actuarial Assumptions – OP&F***

OP&F’s total pension liability as of December 31, 2022, is based on the results of an actuarial valuation date of January 1, 2022, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered are: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2022, are presented below.



For 2022, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

For 2021, 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.



For 2021, 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.



The most recent experience study was completed for the five-year period ended December 31, 2021.

The long-term expected rate of return on pension plan investments was determined using a building-block

method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) 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 and by adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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, 2022, are summarized below:



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

***Discount Rate***  For 2022, the total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 7.50 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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



***Changes between Measurement Date and Report Date*** This note should discuss the nature of changes between the measurement date of the collective net pension liability and the employer’s reporting date that are expected to have a significant effect on the employer’s proportionate share of the collective net pension liability, and the amount of the expected resultant change in the employer’s proportionate share of the collective net pension liability, if known. The pension systems periodically update their assumptions and discount rate; these changes should be evaluated for inclusion in this note.

***Social Security*** *(Delete this note if no employees are entitled to these benefits)*

The/Several of the [Modify reference to number of employees participating in Social Security.] City’s employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The City contributed an amount equal to 6.2 percent of participants’ gross salaries. The City has paid all contributions required through December 31, 20XX.

**Note 10 – Postemployment Benefits**

**Refer to the employer notices from the pension systems for the most updated OPEB disclosures.**

**The OPERS portion of the note presents information for the traditional plan, combined plan and member-directed plan; if the combined plan and member-directed plan are immaterial, they may be deleted.**

***Net OPEB Liability***

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

***Ohio Public Employees Retirement System (OPERS)***

***Due to recent changes to the OPERS Health Care plan, this note has been rewritten.***

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. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined and Member-Directed plans. Medicare-enrolled retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice selected with the assistance of an OPERS vendor. Non-Medicare retirees have converted to an arrangement similar to the Medicare-enrolled retirees, and are no longer participating in OPERS provided self-insured group plans.

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to traditional pension plan and combined plan benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

OPERS members enrolled in the Traditional Pension Plan or Combined Plan retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

 **Medicare Retirees** Medicare-eligible with a minimum of 20 years of qualifying service credit

**Non-Medicare Retirees** Non-Medicare retirees qualify based on the following age-and-service criteria:

 ***Group A*** 30 years of qualifying service credit at any age;

 ***Group B*** 32 years of qualifying service credit at any age or 31 years of qualifying

service credit and minimum age 52;

***Group C*** 32 years of qualifying service credit and minimum age 55; or,

 A retiree from groups A, B or C who qualifies for an unreduced pension, but a portion of

their service credit is not health care qualifying service, can still qualify for health care at

age 60 if they have at least 20 years of qualifying health care service credit.

Retirees who don’t meet the requirement for coverage as a non-Medicare participant can become eligible

for coverage at age 65 if they have at least 20 years of qualifying service.

Members with a retirement date prior to January 1, 2022, who were eligible to participate in the OPERS

health care program will continue to be eligible after January 1, 2022.

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50 percent of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

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.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2023, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and beginning July 1, 2022, there was a two percent allocation to health care for 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; however, effective July 1, 2022, a portion of the health care rate was funded with reserves.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was $XXX for 2023.

***Ohio Police & Fire Pension Fund (OP&F)***

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

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

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at [www.op-f.org](http://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 2023, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded.

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

The City’s contractually required contribution to OP&F was $xx,xxx for 2023.

***OPEB Liability (Asset)***

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F’s total OPEB liability was measured as of December 31, 2022, and was determined by rolling forward the total OPEB liability as of January 1, 2022, to December 31, 2022. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:



***Actuarial Assumptions – OPERS***

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:



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

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

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 15.6 percent for 2022.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS’ primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board’s investment consultant. For each major asset class that is included in the Health Care’s portfolio’s target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:



***Discount Rate*** A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6 percent. 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 4.05 percent (Fidelity Index’s “20-Year Municipal GO AA Index”). The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, 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*** The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 5.22 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower 4.22 percent) or one-percentage-point higher (6.22 percent) than the current rate:



***Sensitivity of the City’s Proportionate Share of the Net OPEB Liability 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 or asset. The following table presents the net liability or asset calculated using the assumed trend rates, and the expected net OPEB liability or 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 2023 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.



***Changes between Measurement Date and Reporting Date***

This note should discuss the nature of changes between the measurement date of the collective net OPEB liability and the employer’s reporting date that are expected to have a significant effect on the employer’s proportionate share of the collective net OPEB liability, and the amount of the expected resultant change in the employer’s proportionate share of the collective net OPEB liability, if known. The pension systems periodically update their assumptions and discount rate; these changes should be evaluated for inclusion in this note.

***Actuarial Assumptions – OP&F***

OP&F’s total OPEB liability as of December 31, 2022, is based on the results of an actuarial valuation date of January 1, 2022, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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



For 2022, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

For 2021, 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.



For 2021, 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.



The most recent experience study was completed for the five year period ended December 31, 2021.

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F’s target asset allocation as of December 31, 2022, are summarized below:



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

***Discount Rate*** For 2022, the total OPEB liability was calculated using the discount rate of 4.27 percent. For 2021, the total OPEB liability was calculated using the discount rate of 2.84 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, for 2022, the long-term assumed rate of return on investments of 7.50 percent was applied to periods before December 31, 2035, and the Municipal Bond Index Rate of 3.65 percent was applied to periods on and after December 31, 2035, resulting in a discount rate of 4.27 percent. For 2021, a municipal bond rate of 2.05 percent at December 31, 2021, was blended with the long-term rate of 7.5 which resulted in a blended discount rate of 2.84. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

***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 4.27 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 (3.27 percent), or one percentage point higher (5.27 percent) than the current rate.



***Changes between Measurement Date and Report Date*** This note should discuss the nature of changes between the measurement date of the collective net OPEB liability and the employer’s reporting date that are expected to have a significant effect on the employer’s proportionate share of the collective net OPEB liability, and the amount of the expected resultant change in the employer’s proportionate share of the collective net OPEB liability, if known. The pension systems periodically update their assumptions and discount rate; these changes should be evaluated for inclusion in this note.

**Note 11 – Debt**

GASB 88 requires the following disclosures:

In addition to other requirements to disclose information related to debt in notes to financial statements, a government should disclose in notes to financial statements summarized information about the following items:

a. Amount of unused lines of credit

b. Assets pledged as collateral for debt

c. Terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance related consequences, and (3) subjective acceleration clauses.

In notes to financial statements, a government should separate information in debt disclosures regarding (a) direct borrowings and direct placements of debt from (b) other debt.

***Notes Payable***

Delete note if not applicable.

The changes in the City’s notes payable during 20CY were as follows:



*(Describe the purpose for which the note was issued.)* All note proceeds had been spent at December 31, 20CY.

The City’s outstanding notes from direct borrowings and direct placements related to governmental activities of $XXX contain a provision that in an event of default, outstanding amounts become immediately due if the City is unable to make payment.

The City’s outstanding notes from direct borrowings related to business-type activities of $XXX are secured with collateral of an undeveloped lot zoned for commercial use. The outstanding notes from direct borrowings related to business-type activities of $XXX contain (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if pledged revenues during the year are less than 120 percent of debt service coverage due in the following year and (2) a provision that if the City is unable to make payment, outstanding amounts are due immediately. The City’s outstanding notes from direct borrowings related to business-type activities of $XXX contain a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs.

All of the notes are bond anticipation notes, are backed by the full faith and credit of the City, and mature within one year. *(Provide a payment schedule if the notes are to be repaid over multiple years and modify as needed.)*

***Long-Term Obligations***

*(This note should be presented even if the City does not choose to present long-term debt arising from cash transactions in the financial statements.)*

*If the City modifies the cash basis to record and report long-term debt arising from cash transactions, all elements of GAAP that would apply to the transactions resulting from cash receipts and disbursements should be applied. In recording long-term bonded indebtedness arising from cash transactions, any bond discounts or premiums should be recorded and amortized or accreted as required by GAAP. The accretion of capital appreciation bonds (deep-discount bonds) should be disclosed.*

*Similarly, deferral and amortization of bond issuance costs is appropriate.*

*While the issue used for this example did not have call provisions, any call provision terms should be disclosed. The example does illustrate disclosure of term bond mandatory redemption requirements and accretion of capital appreciation bonds.*

****

The changes in the City’s long-term debt during 20CY were as follows:

All general obligation bonds are supported by the full faith and credit of The City of XYZ and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

***20XX General Obligation Bonds*** On \_\_\_\_\_\_\_\_\_\_\_, 20XX, the City issued $\_\_\_\_\_\_\_\_\_\_\_ in unvoted general obligation bonds for the purpose of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. The bond issue included serial, term, and capital appreciation bonds, in the amount of $\_\_\_\_\_\_\_\_\_\_, $\_\_\_\_\_\_\_\_\_\_, and $\_\_\_\_\_\_\_\_\_, respectively. The capital appreciation bonds were issued at a premium of $\_\_\_\_\_\_\_\_\_\_\_.

The term bonds maturing on December 1, 20XX, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, on December 1 in the years and respective principal amounts as follows:



The serial bonds maturing after December 1, 20XX, are subject to optional redemption, in whole or in part on any interest payment date, in integral multiples of $5,000, at the option of the City on or after December 1, 20XX, at the redemption prices of 100 percent plus accrued interest to the redemption date.

The capital appreciation bonds will mature in 20XX and 20XX and are not subject to redemption prior to maturity. The maturity amount of the bonds is $\_\_\_\_\_\_\_\_\_\_\_ each year. For 20CY, the capital appreciation bonds were accreted $\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

The City also has an unused line of credit in the amount of $XXX.

Principal and interest requirements to retire general obligation bonds outstanding at December 31, 20CY, were as follows:



The Ohio Revised Code provides that net general obligation debt of the City, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the City. The Revised Code further provides that total voted and unvoted net debt of the City less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 20CY, were an overall debt margin of $\_\_\_\_\_\_\_\_\_\_\_\_and an unvoted debt margin of $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

(Delete if no conduit debt.)

To further economic development in the City, the City has issued bonds that provide capital financing to private-sector entities for the acquisition and construction of industrial and commercial facilities. The properties financed are pledged as collateral, and the bonds are payable solely from payments received from the private-sector entities on the underlying mortgage or promissory notes. In addition, no commitments beyond the collateral, the payments from the private-sector entities, and maintenance of the tax-exempt status of the conduit debt obligation were extended by the City for any of those bonds. At December 31, 20CY, the bonds have an aggregate outstanding principal amount payable of $\_\_\_\_\_\_\_\_\_\_\_\_\_\_. (Modify as needed. This description might not fit all conduit debt. Any limited, voluntary, or additional commitments should be disclosed. See GASB 91 paragraphs 24 – 26 for disclosure requirements. GASB 91 also includes further note disclosure examples.)

(Delete if no defeased debt*.)* The City has defeased certain debt issues by placing cash with a trustee in an amount sufficient to pay all debt principal and interest when they come due. The principal amount of the defeased debt outstanding at December 31, 20CY, was $\_\_\_\_\_\_\_\_\_\_. The cash and investments held by the trustee are not included in the City’s assets nor are the outstanding bonds included above.

***Loans***

(Delete if not applicable) A line of credit, through a direct borrowing, has been established with the Ohio Water Development Authority (OWDA) in the amount of $\_\_\_\_\_\_\_\_ for the Water Plant project; however, since this loan is not finalized, the repayment schedule is not included in the schedule of debt service payments. The City has received the full amount of proceeds. Until a final repayment schedule is available, the City is paying based on estimates.

The City issued an OWDA Refunding Loan through a direct borrowing during 20CY to refund debt (describe the debt that was refunded). Water/Sewer receipts collateralize the loan. The City has agreed to set utility rates sufficient to cover OWDA debt service requirements. Net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded debt (or if the debt was fully repaid, disclose that the proceeds of the refunding loan were used to pay the refunded debt in full). As a result, $XXX of this debt is considered defeased and the liability for the refunded debt has been removed from the City’s financial statements. The refunding resulted in a total debt service savings of $XXX as well as an economic gain/loss of $XXX. As of December 31, 20CY $XXX of the defeased debt remain outstanding.

(Delete if not applicable) The City has pledged future receipts, net of operating disbursements, to repay the Water Plant OWDA loan in the City water fund. The debt is payable solely from net receipts and is payable through 20XX. Annual principal and interest payments on the debt issue are expected to require about XX percent of net receipts and less than XX percent of total receipts. The total principal and interest remaining to be paid on the debt is $XXX,XXX, total net receipts were $XXX,XXX, and total receipts were $XXX,XXX.



***Financed Purchases***

(Disclose material financed purchases.)

The City has entered into financed purchases agreements for buildings, vehicles and other equipment (edit list as appropriate) where ownership of the underlying asset transfers to the City by the end of the contract. The City disbursed $\_\_\_\_\_\_\_\_\_\_\_ to pay these costs for the fiscal year ended June 30, 20CY. Future financed purchases payment are as follows *(next five years individually then five-year increments)*:



The following is instructional. Note: GASB 94 APAs can have financed purchases.

Consider if any disclosures are required by GASB 88, including identifying direct placements and direct offerings as required by GASB 88.

***AMP***

**Include the following if your City is a member of AMP and participated in the project:**

*(If this footnote is not for the fiscal year you are reporting, please obtain the necessary information, as applicable. If the footnote information is not available for your fiscal year, use the most recent information available and add a note in your footnote the time period of the information reported and indicate it is the most recent information available at the time the footnotes were prepared.)*

The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City’s share was XX,XXX kilowatts of a total XXX,XXX kilowatts, giving the City a XX.XX percent share. The AMPGS Project required participants to sign “take or pay” contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP’s pursuit of legal action to void them. As a result of a March 31, 2014, legal ruling, the AMP Board of Trustees on April 15, 2014, and the AMPGS participants on April 16, 2014, approved the collection of the impaired costs and provided the participants with an estimate of their liability. The City’s estimated share at March 31, 2014, of the impaired costs is $X,XXX,XXX. The City received a credit of $X,XXX,XXX related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of $XXX,XXX related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of $X,XXX,XXX. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the City’s payments. These amounts will be recorded as they become estimable. The City made payments in 20XX totaling $XX,XXX, leaving a net impaired cost estimate of $X,XXX,XXX at December 31, 20XX. Or The City will begin making payments in XXXX.

The City intends to recover these costs and repay AMP over the next XX years through a power cost adjustment. Or The City elected to finance this amount (identify payment plan). **<< Modify as necessary.**

Note: Modifications may be needed for those participants who previously made payments to AMP other than payments in 20XX as described above.

**Note 12 – Construction and Contractual Commitments**

Identify any potentially significant outstanding construction or other contractual commitments.

Also review GASB Codification Section L10 Landfill Closure and Postclosure Care Costs, Codification Section P40 Pollution Remediation Obligations, and GASB 83 Asset Retirement Obligations for any applicable disclosure requirements.

The City closed a landfill site on XXX, in accordance with state and federal laws. This closure requires the City to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for XXX years after closure. Although postclosure care costs will be paid after the date the landfill stops accepting waste, the City estimates the remaining postclosure care costs to be $XXX at December 31, 20CY, based upon XXX remaining years of monitoring. This amount is based upon what it would cost to perform all postclosure care in XXXX. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Due to the City’s application of the modified cash basis of accounting, this long-term obligation is not reported as a liability in the financial statements.

The Governmental Accounting Standard Board’s (GASB) Statement No. 83, *Certain Asset Retirement Obligations,* provides guidance related to asset retirement obligations (AROs).  An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The City has the following AROs: (Note: if your City only has one ARO, delete the last sentence and incorporate into one paragraph.)

The Bureau of Underground Storage Tank Regulations (BUSTR) regulates petroleum and hazardous substances stored in underground storage tanks.  These regulations are included in Ohio Administrative Code Section 1301-7-9 and require a City classified as an “owner” or “operator,” to remove from the ground any underground storage tank (UST) that is not in use for a year or more. A permit must first be obtained for that year it is not being used. Once the UST is removed, the soil in the UST cavity and excavated material must be tested for contamination. Due to the City’s application of the modified cash basis of accounting, this long-term obligation is not reported as a liability in the financial statements.

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewerage system to the Ohio EPA for approval.  Through this review process, the City would be responsible to address any public safety issues associated with their waste water treatment facilities. Due to the City’s application of the modified cash basis of accounting, this long-term obligation is not reported as a liability in the financial statements.

**Note 13 – Contingent Liabilities**

*(Modify as needed. Briefly describe potentially material suits. Include the range of potential loss. However, avoid naming plaintiffs. Allow legal counsel to review your draft language.)*

*(Modify or delete as appropriate.)* The City is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the City’s financial condition.

*(Include the following paragraph only if grants were received.)* Amounts grantor agencies pay to the City are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 14 – Joint Ventures**

*A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owner, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which that participants retain (a) an ongoing financial interest or (b) and ongoing financial responsibility. See GASB Statements 14 and 39, and GASB Codification J50 paragraph .102.*

Include a general description of each joint venture that includes the following:

Describe any ongoing financial interest.

Describe any ongoing financial responsibility.

Provide information to allow users of the financial statements to evaluate whether the joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit or burden for the City in the future.

Provide information on related party transactions.

**Note 15** – **Jointly Governed Organizations**

*A jointly governed organization is a regional government or other multigovernmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. See GASB Statements 14 and 39, and GASB Codification J50 paragraph .111.*

Include a general description of each jointly governed organization and provide information on related party transactions.

**Note 16 – Public Entity Risk Pool**

If the City participates in a public entity risk pool, it should describe that arrangement. That description should specifically address the rights and responsibilities of the City and the pool and the composition of the governing board. The following is example language:

The City participates in the Ohio Municipal League Group Rating Plan (GRP) for worker’s compensation. The pool’s business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

**Note 17 – Related Organizations**

*A related organization is an organization, for which the City is accountable because the City appoints a voting majority of the board, but is not financially accountable, is a related organization. This note should disclose the nature of the City’s accountability for any related organization and any related party transactions. See GASB Statements 14 and 39, and GASB Codification 2600 paragraph .129-.130.*

This note should disclose the nature of the City’s accountability for any related organization and any related party transactions.

**Note 18 – Related Party Transactions**

*GASB Codification Section 2250 Starting at Paragraph .102*

Related party transactions are transactions that an informed observer might reasonably believe reflects considerations other than economic self interest based upon the relationship that exists between the parties to the transactions. The term is often used in contrast to an arm’s length transaction. The notes should disclose the terms of material related party transactions. See GASB 56 for further guidance.

*Example:* A City Council member is part owner of a company from which the City acquired *(described acquisition briefly)* during the year. The City paid $XXX for this acquisition. The City also uses office space a City Council member donated.

Significant\* related party transactions must be disclosed. They may be indicative of ethics or other violations, but that is not the purpose of disclosing related party transactions. Related party transactions require disclosure because the reported amount of a transaction not conducted at arms-length may not be indicative of its true value, and may mislead readers about the City’s ongoing ability to obtain or provide these goods or services if it must repay (or receive) fair value for them in future years.

\*A transaction may be “significant” when the dollar amount is immaterial, if it does not represent the fair value of the transaction. For example, a government may rent a facility to a related party for $1 per year.

**Note 19 – 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 government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below: (See the Fund Balance Classification Worksheet contained in the OCBOA shells to identify purposes.)



In addition to the above fund balance constraints, the City has a General Fund budget stabilization arrangement that does not meet the criteria to be classified as restricted or committed. Pursuant to Ohio Revised Code Section 5705.13, the City established a budget stabilization by resolution to provide options to respond to unexpected issues and afford a buffer against shocks and other forms of risk such as revenue volatility, unexpected infrastructure failure, or disaster situations. Expenditures of a recurring nature are not addressed through the use of this arrangement. The City Council authorized the funding of this arrangement as resources become available in the General Fund. The fund balance should not exceed 30 percent of the General Fund average revenues. The balance in the reserve at December 31, 20CY, is $XXX.

**Note 20 – Subsequent Events**

Identify any event occurring after the end of the year that significantly affects the financial condition of the City (debt issue, tax levy, etc.). See GASB 56 for further guidance.

**Note 21 – AMP Revenue Coverage**

*This footnote is required for members of the OMEGA JVs that have a liability related to the debt issued by any of the JVs. If your City is not a member delete the entire footnote.*

*This footnote is not required if your City’s Electric Fund is the only Enterprise Fund. Please delete this footnote if it is not required.*

*This footnote is required if:*

* *The City participates with an AMP OMEGA JV with a revenue coverage requirement and*
* *your City reports the Electric Fund as a combined enterprise fund type with other enterprise activities (i.e. water, sewer).*

To provide electric service to the citizens, the City is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note XX. *(Replace the “XX” with the Note number that includes the disclosures related to the OMEGA Joint Ventures)*. The City is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the City’s Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:





*Guidance for the Summary Financial Information:* ***(This highlighted information is intended as guidance for the proper completion of this segment information note disclosure. Delete this highlighted information once the note is prepared.)***

1. *Total Fund Cash Balance = Fund Cash Balance in the Electric Fund.*
2. *Total Long-Term Debt = Long-Term Debt outstanding, including amounts owed for the OMEGA JVs*
3. *The Condensed Operating Information comes directly from the Electric Fund information rolled into the combined Enterprise Fund Type on the AOS Regulatory Basis Statements.*
4. *Cash Flows from Operating Activities = The amount reported as operating income in the Electric Fund.*
5. *Cash flows from Noncapital Financing Activities = Use the information in the Electric Fund for the separate captions above. For the “Other Noncapital Financing Activities,” report the net of any remaining activities.*
6. *Cash Flows from Capital and Related Financing Activities = Use the information in the Electric Fund for the separate captions above. For the “Other Capital and Related Financing Activities,” report the net of any remaining activities*
7. *Cash Flows from Investing Activities = Use the information in the Electric Fund for the separate captions above. If there are other investing activities, add a row and include an appropriate caption (We do not believe this will occur very often.).*

*To ensure the formulas included in the tables work correctly:*

* *If any of the captions are not needed,* ***Hide*** *the row rather than deleting it.*
* *Enter Nonoperating Disbursements (in the Condensed Operating Information section) as negative numbers.*
* *Enter cash uses (In the Condensed Cash Flows Information section) as negative numbers.*

**Note 22 – Change in Basis of Accounting and Restatement of Net Position/Fund Equity**

***Use the following note ONLY if you are converting from Regulatory to Modified Cash for the first time:***

Last year the City reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor’s Office. This year the City has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

(Modify or delete the following narrative and tables, as appropriate, given the City’s choices regarding the reporting of inventory, prepaid items, interfund receivables (payables), capital assets, and long-term debt.)

As described in Note 2, the City made the following modifications to the cash basis of accounting in implementing the *modified* cash basis of accounting:



The restatement of the business-type activities is as follows:



The restatement had the following effect on fiduciary net position as of December 31, 20PY:



**Note 23** – **Capital Assets**

(Even if the City chose not to report and depreciate capital assets resulting from cash transactions in the financial statements, the Auditor of State’s Office encourages reporting capital asset activity in the notes to the financial statements to demonstrate compliance with OAC 117-2-02.)

Capital asset activity for the year ended December 31, 20CY, was as follows:



\* Depreciation expense was charged to the governmental activities as follows:





If GASB 87 lease transactions, GASB 96 SBITA transactions, or GASB 94 PPP and APA transactions are the result of a cash transaction and the financial statements reflect this modification, the above tables should include the intangible right to use asset by asset type under both the depreciable capital assets and accumulated depreciation. An explanation should also be included related to the accounting treatment and corresponding amortization. Also, consider updating the capital asset note in the summary of significant accounting policies and updating the debt note for the corresponding liability.

The following is instructional. See also GASB 94 for other capital asset guidance related to the underlying asset.

**Note 24 – Component Units**

Users should be able to distinguish between information pertaining to the primary government (including its blended component units) and that of its discretely presented component units.

Notes encompass major discretely presented component units considering the unit’s significance relative to the total discretely presented component units and the nature and significance of the unit’s relationship to the primary government. Determining which discretely presented component unit disclosures are essential to fair presentation is a matter of professional judgment and should be done on a component unit-by-component unit basis. A specific type of disclosure might be essential for one component unit but not for another depending on the component unit’s significance relative to the total component units and the individual component unit’s relationship with the primary government.

Component unit information included in other notes need not be repeated in this note.

**Note 25 – COVID-19**

*These disclosures are optional and should be removed when substantially all COVID-19 funding has been spent. As described below, this note can also help explain any unique COVID situations.*

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.  During 2023, the City received COVID-19 funding.  (Edit or delete as needed.)  The City will continue to spend available COVID-19 funding consistent with the applicable program guidelines (Specific material impacts from the pandemic may be addressed such as decreases in revenues, personnel impacts, and the City’s specific responses to mitigating the negative impacts of the pandemic as well as awards of federal and state COVID relief programs may be addressed at the discretion of the treasurer. This note can be removed when substantially all COVID-19 funding has been spent.)

This paragraph is instructional. The following disclosures may help explain some of the unique COVID situations and can be used as appropriate. Also, the paragraph about investment volatility can be removed.

*(If the entity has used intergovernmental expenditure/expense as appropriate, the following paragraph is optional at the discretion of the fiscal officer)* The 2023 activity includes, $XXX,XXX which was sub-granted to other governments and organization  *(update as needed)*, $XXX,XXX which was returned to the granting agency, and $XXX,XXX which was spent on-behalf of other governments.  These amounts are reflected as intergovernmental *(update as needed)* expenditures in the applicable Special Revenue Fund (update/modify as needed) on the accompanying financial statements. *(If the City recorded amounts returned to the granting agency as a reduction of intergovernmental revenue, include the following sentence):*  The amounts returned to the granting agency are reflected as a reduction of intergovernmental revenue *(update as needed)* in the applicable Special Revenue Fund *(update as needed). (Delete paragraph if no sub-grants were made, no monies were returned to the granting agency, and no on-behalf payments were made.)*

(If the entity used the billing method to charge prior year expenditures to an applicable COVID fund, the following disclosure should be made.) During 2023, the City charged prior year expenditures to the XXX Fund (identify specific COVID Fund).  The XXX Fund (identify the fund that made the original expenditure) billed the XXX Fund (identify specific COVID fund) for these costs.  The XXX Fund (identify the fund that made the original expenditure) is reflecting this receipt of $XXX,XXX as a XXXXX Revenue (identify revenue classification) in the accompanying financial statements.

*If the entity has recorded assets purchased by another government, including donated PPE on their day-to-day books consistent with AOS bulletin 2000-008, the following paragraph is optional at the discretion of the fiscal officer:* During 2023, the City received $XXX,XXX as an on-behalf of grant from another government.  These amounts are recorded in the applicable Special Revenue Fund *(update as needed and delete if none).* (*See AOS bulletins 2000-008 & 2021-004, as well as the information and, specifically the FAQs, available on AOS COVID website at* [*COVID-19 Assistance (ohioauditor.gov)*](https://ohioauditor.gov/resources/covid19_assistance.html).)  *Note:  This disclosure relates to assets purchased by another government and may include items such as donated PPE.*

*Customizing the above disclosures of COVID-19 federal funding by program (American Rescue Plan Act Coronavirus State and Local Fiscal Recovery Fund, and other similar COVID-19 related programs) is at the discretion of management.*