

**CITY OF SALEM
COLUMBIANA COUNTY, OHIO**

Basic Financial Statements

**For the Year Ended
December 31, 2022**

CITY OF SALEM, OHIO

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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Accountant's Compilation Report

To the Members of City Council
Salem, Ohio

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

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

Julian & Grube, Inc.

Westerville, Ohio
May 4, 2023

CITY OF SALEM, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2022 (SEE ACCOUNTANT'S COMPILATION REPORT)

The discussion and analysis of the financial performance of the City of Salem (the "City") provides an overall review of the City's financial activities for the year ended December 31, 2022. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider information presented here in conjunction with the additional information contained in the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Financial highlights for 2022 are as follows:

- The City's total net position increased in 2022. Net position for governmental activities increased \$2,972,988 and net position for business-type activities increased \$3,184,936.
- The City had \$8,361,617 in expenses related to governmental activities; \$2,097,117 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$6,264,500 were offset by general revenues (primarily property taxes and income taxes) of \$9,235,690.
- Total expenses for the business-type activities amounted to \$4,880,554 and total revenues (primarily charges for services) were \$8,067,288.
- The general fund had revenues and other financing sources totaling \$6,411,375 in 2022, and expenditures and other financing uses of \$6,373,173. This resulted in a net increase in fund balance of \$38,202.

Using this Annual Financial Report

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

The statement of net position and statement of activities provide information about the activities of the whole City, presenting both an aggregate view of the City's financial and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting on the City of Salem as a Whole

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2022?" The statement of net position and the statement of activities answer this question.

These statements include all *assets* and *deferred outflows of resources* and *liabilities* and *deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the City as a whole, the *financial position* of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's tax base, current property tax laws in Ohio restricting revenue growth and other factors.

CITY OF SALEM, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2022 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

Governmental Activities – Most of the City's programs and services are reported here including general government, security of persons and property, public health services, transportation, community development and leisure time activities. These services are funded primarily by taxes and intergovernmental revenues including Federal and State grants and other shared revenues.

Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided.

Reporting on the Most Significant Funds of the City of Salem

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund, the parks fund, the American rescue plan fund, the income tax capital improvement fund, and the street improvement fund.

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds

The City maintains two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City's major enterprise funds are the water and wastewater funds.

Fiduciary Funds

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

CITY OF SALEM, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

Notes to the Basic Financial Statements

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

Required Supplementary Information

The required supplementary information provides detailed information regarding the City's proportionate share of the net pension liability/asset and the net other postemployment benefits (OPEB) liability of the retirement systems. It also includes a ten year schedule of the City's contributions to the retirement systems to fund pension and OPEB obligations.

The City of Salem as a Whole

The statement of net position provides an overall view of the City. The following table shows a summary of the City's net position for 2022 as it compares to 2021. As discussed in Note 3 in the notes to the basic financial statements, certain components of net position for 2021 have been restated to account for the implementation of GASB Statement No. 87; however, this restatement had no effect on total net position.

Net Position, At December 31

	Governmental Activities		Business-Type Activities		Total	
	2022	(Restated) 2021	2022	2021	2022	(Restated) 2021
Assets						
Current and other assets	\$ 9,064,381	\$ 8,280,969	\$ 8,383,805	\$ 6,465,673	\$ 17,448,186	\$ 14,746,642
Net pension asset	74,114	68,566	62,378	50,201	136,492	118,767
Net OPEB asset	340,785	202,041	286,822	147,923	627,607	349,964
Capital assets, net	26,820,666	24,711,568	34,062,713	33,622,150	60,883,379	58,333,718
Total assets	36,299,946	33,263,144	42,795,718	40,285,947	79,095,664	73,549,091
Deferred outflows of resources						
Unamortized deferred charges	2,685	3,662	-	-	2,685	3,662
Pension	2,720,220	1,329,243	442,980	183,721	3,163,200	1,512,964
OPEB	654,871	775,836	24,338	82,961	679,209	858,797
Total deferred outflows of resources	3,377,776	2,108,741	467,318	266,682	3,845,094	2,375,423
Liabilities						
Current liabilities	1,540,493	688,687	361,175	227,738	1,901,668	916,425
Long-term liabilities:						
Due within one year	434,013	459,461	358,723	347,140	792,736	806,601
Net pension liability	7,469,079	8,462,775	772,175	1,205,316	8,241,254	9,668,091
Net OPEB liability	1,149,458	1,059,424	-	-	1,149,458	1,059,424
Other amounts	2,798,368	3,018,229	1,535,581	1,882,648	4,333,949	4,900,877
Total liabilities	13,391,411	13,688,576	3,027,654	3,662,842	16,419,065	17,351,418

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CITY OF SALEM, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

Net Position, At December 31 (Continued)

	Governmental Activities		Business-Type Activities		Total	
	(Restated)				(Restated)	
	2022	2021	2022	2021	2022	2021
<u>Deferred inflows of resources</u>						
Property taxes	\$ 1,182,457	\$ 1,131,702	\$ -	\$ -	\$ 1,182,457	\$ 1,131,702
Payments in lieu of taxes	46,412	62,784	-	-	46,412	62,784
Leases	28,869	29,756	-	-	28,869	29,756
Pension	3,271,355	1,414,725	962,012	611,247	4,233,367	2,025,972
OPEB	743,491	1,003,603	296,347	486,453	1,039,838	1,490,056
Total deferred inflows of resources	<u>5,272,584</u>	<u>3,642,570</u>	<u>1,258,359</u>	<u>1,097,700</u>	<u>6,530,943</u>	<u>4,740,270</u>
<u>Net position</u>						
Net investment in capital assets	23,737,304	21,718,451	32,131,234	31,528,618	55,868,538	53,247,069
Restricted	3,247,618	3,538,283	-	-	3,247,618	3,538,283
Unrestricted (deficit)	<u>(5,971,195)</u>	<u>(7,215,995)</u>	<u>6,845,789</u>	<u>4,263,469</u>	<u>874,594</u>	<u>(2,952,526)</u>
Total net position	<u>\$ 21,013,727</u>	<u>\$ 18,040,739</u>	<u>\$ 38,977,023</u>	<u>\$ 35,792,087</u>	<u>\$ 59,990,750</u>	<u>\$ 53,832,826</u>

The net pension liability (NPL) is one of the largest single liabilities reported by the City at December 31, 2021, GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange; however, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

By comparing assets and deferred outflows of resources and liabilities and deferred inflows of resources, one can see the overall position of the City has increased over the prior year. Current and other assets increased from the prior year due mainly to an increase in cash and cash equivalents resulting from cash receipts outpacing cash disbursements during the year. Additionally, income taxes receivable for governmental activities and accounts receivable for business-type activities increased. Capital assets increased due to additions outpacing current year depreciation/amortization and deletions. Current liabilities increased due to additional construction contracts payable as well as unearned revenue related to the American Rescue Plan Act (ARPA) grant. The decrease in long-term liabilities can be attributed primarily to the decrease in the net pension liability. Management continues to diligently plan expenses, staying carefully within the City’s revenues in an effort to maintain excellent levels of service within the constraints of the budget.

CITY OF SALEM, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

The following table provides a summary of the revenues, expenses and other changes in the City's net position for 2022 compared to 2021.

	Change in Net Position					
	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	Activities	Activities
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for services and assessments	\$ 459,356	\$ 337,326	\$ 7,908,168	\$ 5,760,105	\$ 8,367,524	\$ 6,097,431
Operating grants and contributions	1,225,561	1,387,537	-	153,000	1,225,561	1,540,537
Capital grants and contributions	412,200	-	-	-	412,200	-
Total program revenues	<u>2,097,117</u>	<u>1,724,863</u>	<u>7,908,168</u>	<u>5,913,105</u>	<u>10,005,285</u>	<u>7,637,968</u>
General revenues:						
Property taxes	1,172,941	1,195,448	-	-	1,172,941	1,195,448
Income taxes	7,118,007	6,359,745	-	-	7,118,007	6,359,745
Unrestricted grants and entitlements	381,066	291,479	-	-	381,066	291,479
Payment in lieu of taxes	126,309	62,783	-	-	126,309	62,783
Investment earnings	77,253	27,892	10,014	12,224	87,267	40,116
Other	360,114	342,692	149,106	92,625	509,220	435,317
Total general revenues	<u>9,235,690</u>	<u>8,280,039</u>	<u>159,120</u>	<u>104,849</u>	<u>9,394,810</u>	<u>8,384,888</u>
Total revenues	<u>11,332,807</u>	<u>10,004,902</u>	<u>8,067,288</u>	<u>6,017,954</u>	<u>19,400,095</u>	<u>16,022,856</u>
Expenses:						
General government	1,429,265	1,173,907	-	-	1,429,265	1,173,907
Security of persons and property	5,157,557	4,667,578	-	-	5,157,557	4,667,578
Transportation	914,293	1,181,217	-	-	914,293	1,181,217
Community environment	261,976	170,527	-	-	261,976	170,527
Leisure time activities	480,492	350,904	-	-	480,492	350,904
Intergovernmental	60,312	62,474	-	-	60,312	62,474
Interest and fiscal charges	57,722	74,288	-	-	57,722	74,288
Water	-	-	2,151,288	1,876,261	2,151,288	1,876,261
Wastewater	-	-	2,729,266	2,245,807	2,729,266	2,245,807
Total expenses	<u>8,361,617</u>	<u>7,680,895</u>	<u>4,880,554</u>	<u>4,122,068</u>	<u>13,242,171</u>	<u>11,802,963</u>
Transfers	<u>1,798</u>	<u>19,951</u>	<u>(1,798)</u>	<u>(19,951)</u>	<u>-</u>	<u>-</u>
Change in net position	2,972,988	2,343,958	3,184,936	1,875,935	6,157,924	4,219,893
Net position at beginning of year	<u>18,040,739</u>	<u>15,696,781</u>	<u>35,792,087</u>	<u>33,916,152</u>	<u>53,832,826</u>	<u>49,612,933</u>
Net position at end of year	<u>\$ 21,013,727</u>	<u>\$ 18,040,739</u>	<u>\$ 38,977,023</u>	<u>\$ 35,792,087</u>	<u>\$ 59,990,750</u>	<u>\$ 53,832,826</u>

CITY OF SALEM, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

Governmental Activities

Net position increased \$2,972,988 or 16.5%. Total revenues increased \$1,327,905 or 13.3% as both program revenues and general revenues for 2022 were higher compared to the prior year. Although operating grants and contributions decreased slightly, the other program revenue sources increased. The increase in charges for services and assessments is primarily due to charges from ambulance runs and demolition escrow fees. Capital grants and contributions for 2022 consist of contributions from the Ohio Department of Transportation for a street improvements project. The primary reason for the increase in general revenues is the increased income taxes revenue as the local economy rebounds from the effects of the COVID-19 pandemic and continues to grow. The City's income tax rate is currently 1.25 percent.

Total expenses increased slightly, up \$680,722 or 8.9% compared to 2021. The primary reason for this is pension and OPEB expense, both of which were lower in 2021 due to changes at the state-wide pension system level. On an accrual basis, the governmental activities reported pension and OPEB expense of \$105,603 in 2022 compared to (\$504,940) in 2021.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The table that follows shows, for governmental activities, the total cost of services and the net cost of services for 2022 and 2021. That is, it identifies the cost of these services supported by general revenues (such as taxes revenue and unrestricted grants and entitlements).

Governmental Activities

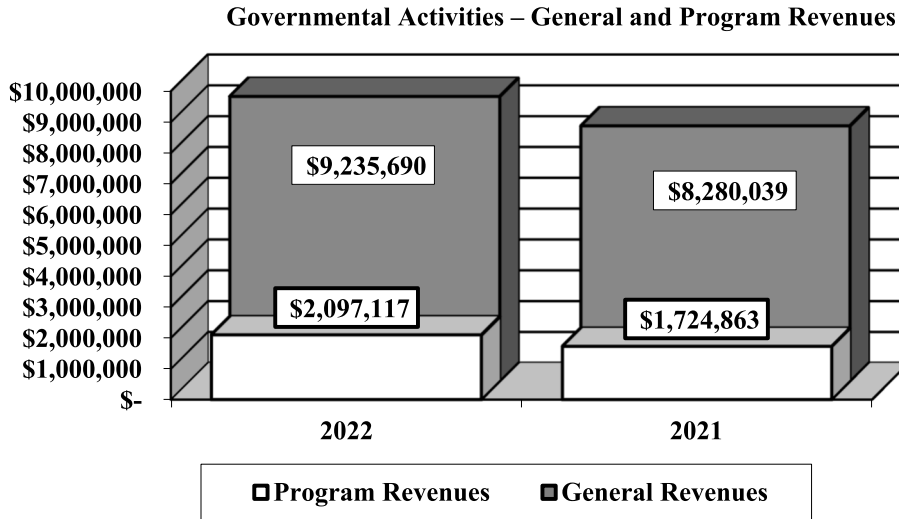
	2022		2021	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program expenses:				
General government	\$ 1,429,265	\$ 1,041,636	\$ 1,173,907	\$ 927,215
Security of persons and property	5,157,557	5,054,550	4,667,578	4,431,481
Transportation	914,293	(227,195)	1,181,217	266,942
Community environment	261,976	(161,038)	170,527	(97,909)
Leisure time activities	480,492	438,513	350,904	291,541
Intergovernmental	60,312	60,312	62,474	62,474
Interest and fiscal charges	57,722	57,722	74,288	74,288
Total	\$ 8,361,617	\$ 6,264,500	\$ 7,680,895	\$ 5,956,032

The dependence upon general revenues for governmental activities is apparent, with 74.9% of expenses supported through taxes and other general revenues in 2022, compared to 77.5% in 2021.

CITY OF SALEM, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

The following chart illustrates the City's program revenues versus general revenues for 2022 and 2021.



Business-type Activities

Business-type activities include the operations of the water and wastewater enterprise funds. These programs had revenues, primarily charges for services, of \$8,067,288 and expenses of \$4,880,554 in 2022. An increase in revenues led to an overall increase in net position of \$3,184,936 or 8.9%. See page 13 for further discussion of the operations of the business-type activities.

The City's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds reported a combined fund balance of \$5,139,568 which is \$202,606 higher than last year's total balance of \$4,936,962. The schedule that follows indicates the fund balances as of December 31, 2022 and 2021, and the change in fund balances for the governmental funds.

	Fund Balance <u>12/31/2022</u>	Fund Balance <u>12/31/2021</u>	<u>Change</u>
Major funds:			
General	\$ 1,909,370	\$ 1,871,168	\$ 38,202
Parks	423,499	454,102	(30,603)
American rescue plan	-	-	-
Income tax capital improvement	1,258,776	1,280,145	(21,369)
Street improvement	793,856	529,127	264,729
Nonmajor governmental funds	<u>754,067</u>	<u>802,420</u>	<u>(48,353)</u>
Total	<u>\$ 5,139,568</u>	<u>\$ 4,936,962</u>	<u>\$ 202,606</u>

CITY OF SALEM, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

General Fund

The City's general fund balance increased \$38,202 (2.0%) as revenues and other financing sources outpaced expenditures and other financing uses in 2022. The table that follows assists in illustrating the revenues of the general fund for the last two years.

	2022	2021	Percentage
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Revenues</u>			
Income taxes	\$ 4,997,485	\$ 4,615,682	8.27 %
Property taxes	614,819	636,064	(3.34) %
Charges for services	95,077	59,194	60.62 %
Fees, licenses and permits	197,537	136,380	44.84 %
Intergovernmental	313,455	267,164	17.33 %
Interest	76,160	23,293	226.97 %
Other	<u>73,858</u>	<u>88,612</u>	(16.65) %
Total	<u>\$ 6,368,391</u>	<u>\$ 5,826,389</u>	9.30 %

Income taxes revenue is by far the general fund's largest revenue source, representing 78.5% of total general fund revenues in 2022. In addition to income taxes, other general fund increases include charges for services and fees, licenses and permits. These changes are discussed on page 10. The increase in intergovernmental revenue is primarily due to miscellaneous grants and shared revenues from the State, such as liquor permitting fees. Interest rates have risen considerably leading to an increase in interest revenue.

The table that follows assists in illustrating the expenditures of the general fund for the last two years.

	2022	2021	Percentage
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,339,908	\$ 1,337,855	0.15 %
Security of persons and property	4,367,720	3,984,802	9.61 %
Transportation	27,906	24,402	14.36 %
Community environment	141,204	130,998	7.79 %
Capital outlay	11,346	-	N/A
Intergovernmental	60,312	62,474	(3.46) %
Debt service	<u>1,782</u>	<u>-</u>	N/A
Total	<u>\$ 5,950,178</u>	<u>\$ 5,540,531</u>	7.39 %

The main driver of the overall increase in expenditures is security of persons and property. This primarily consists of expenditures for the police and fire departments. The expenditures for capital outlay and debt service are related to an equipment lease the City entered into, and began making payments on, during 2022.

Parks Fund

The parks fund, a major governmental fund, is used to account for property taxes levied that are restricted for the operation and maintenance of City parks. This fund had revenues of \$526,523 and expenditures of \$557,126 in 2022, and fund balance decreased from \$454,102 to \$423,499.

CITY OF SALEM, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2022 (SEE ACCOUNTANT'S COMPILATION REPORT)

American Rescue Plan Fund

The American rescue plan fund is a major governmental fund and is used to account for grant revenue received from the American Rescue Plan Act. Activity in 2022 consisted of revenues and expenditures of \$222,449. The City has \$643,374 of cash remaining in this fund at December 31, 2022; however, no fund balance is reported since the cash is offset by a liability (unearned revenue) since not all eligibility requirements had been met to report that money as revenue.

Income Tax Capital Improvement Fund

This fund used to account for income taxes that are restricted for capital improvements. In 2022 this fund had revenues and other financing sources of \$807,577 and expenditures of \$828,946, resulting in a decrease in fund balance of \$21,369.

Street Improvement Fund

The street improvement fund is used to account for income taxes that are restricted for major street capital projects. This fund had revenues and other financing sources of \$2,480,062 and expenditures of \$2,215,333 in 2022, and the ending fund balance for the year was \$793,856.

Proprietary Funds

The City's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. Both of the City's enterprise funds are reported as major funds; the water fund and the wastewater fund. Net position increased for both funds due to an increase in charges for services revenue. These funds had total operating revenue of \$8,057,274 and total operating expenses of \$4,822,880. If expenses were to exceed revenue and dramatically affect net position, the City has the power to increase revenue through rate increases. Expenses were higher in 2022 compared to 2021, mainly due to an increase in personal services expense resulting from changes in the net pension and net OPEB liabilities.

General Fund Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially, the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly. Budgetary information is presented for the general fund and major special revenue funds.

In the general fund, original budgeted revenues and other financing sources of \$5,639,631 were increased to \$5,652,631 in the final budget. Actual revenues and other financing sources of \$5,973,306 were \$320,675 more than the final budgeted amount. Most of this variance came from higher actual income tax collections as the City uses a conservative approach when developing the revenue budget.

The final budget expenditures and other financing uses in the general fund were \$6,761,096, which represents a slight increase from the original budget of \$6,610,725. Actual budget basis expenditures and other financing uses totaled \$6,322,927, or \$438,169 less than the final budget. The City routinely over-appropriates resources when adopting its general fund budget in order to cover unforeseen expenditures that may arise during the year.

CITY OF SALEM, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

Capital Assets and Debt Administration

Capital Assets

The following table summarizes 2022 balances compared to 2021.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 5,042,432	\$ 5,042,432	\$ 669,334	\$ 669,334	\$ 5,711,766	\$ 5,711,766
Construction in progress	530,283	-	2,876,835	1,614,239	3,407,118	1,614,239
Buildings	566,518	616,721	7,552,375	8,003,031	8,118,893	8,619,752
Improvements other than buildings	119,306	126,130	31,110	32,740	150,416	158,870
Land improvements	289,919	300,601	-	-	289,919	300,601
Machinery and equipment	2,262,219	2,258,479	1,040,106	1,059,922	3,302,325	3,318,401
Intangible right to use - leased equipment	11,779	-	-	-	11,779	-
Infrastructure	<u>17,998,210</u>	<u>16,367,205</u>	<u>21,892,953</u>	<u>22,242,884</u>	<u>39,891,163</u>	<u>38,610,089</u>
Totals	<u>\$ 26,820,666</u>	<u>\$ 24,711,568</u>	<u>\$ 34,062,713</u>	<u>\$ 33,622,150</u>	<u>\$ 60,883,379</u>	<u>\$ 58,333,718</u>

Total capital assets increased as additions during the year exceeded depreciation/amortization expense and net disposals. For the governmental activities, the most significant capital asset activity during the year primarily involved various projects for streets infrastructure, and also additions for equipment and vehicles. This included capital contributions of \$412,200. For the business-type activities, the most significant activity consisted of continued construction in progress for water and wastewater infrastructure improvements. See Note 8 in the notes to the basic financial statements for additional information on capital assets.

Debt Administration

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
General obligation bonds	\$ 494,281	\$ 686,251	\$ 1,500,000	\$ 1,800,000
Notes payable	1,998,108	2,059,739	-	-
OPWC loans	238,250	250,789	252,717	286,413
Leases payable	12,001	-	-	-
OWDA loans	<u>-</u>	<u>-</u>	<u>4,068</u>	<u>7,119</u>
Total long-term debt	<u>\$ 2,742,640</u>	<u>\$ 2,996,779</u>	<u>\$ 1,756,785</u>	<u>\$ 2,093,532</u>

New debt for 2022 consisted of leases payable of \$13,586 for copier equipment and notes payable of \$1,000,000 for infrastructure improvement. Both of these were for the governmental activities. The 2022 note was issued to refinance a \$1,000,000 note that matured in 2022. See Note 11 in the notes to the basic financial statements for detail on the City's long-term obligations.

CITY OF SALEM, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2022 (SEE ACCOUNTANT'S COMPILATION REPORT)

Current Financial Issues

The City of Salem continues to provide strong fiscal management, holding general operating expenses in check while maintaining City services at a high level in 2022. With the continuing increase in cost of goods and services and decreasing revenue in Federal and State sources, holding expenses down is a constant challenge. It is important that our taxpayers are confident that their City is using their tax dollars as wisely and efficiently as possible.

Over the past three years, our community weathered one of the most difficult periods in recent history. Our City survived and continues to show economic development growth.

Contacting the City of Salem's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Auditor Betty Brothers at the City of Salem, 231 South Broadway Avenue, Salem, Ohio 44460.

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

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>City of Salem Health District</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 5,122,488	\$ 6,353,156	\$ 11,475,644	\$ 20,202
Receivables:				
Income taxes	1,782,454	-	1,782,454	-
Property taxes	1,222,806	-	1,222,806	-
Payment in lieu of taxes	46,412	-	46,412	-
Intergovernmental	656,414	-	656,414	-
Accrued interest	93	601	694	-
Accounts	32,784	1,352,508	1,385,292	-
Special assessments	-	92,957	92,957	-
Leases	28,869	-	28,869	-
Internal balance	(55,507)	55,507	-	-
Prepayments	77,682	46,499	124,181	1,581
Materials and supplies inventory	149,886	482,577	632,463	20,945
Net pension asset	74,114	62,378	136,492	6,529
Net OPEB asset	340,785	286,822	627,607	30,019
Capital assets:				
Not being depreciated/amortized	5,572,715	3,546,169	9,118,884	-
Being depreciated/amortized, net	21,247,951	30,516,544	51,764,495	11,660
Total capital assets, net	<u>26,820,666</u>	<u>34,062,713</u>	<u>60,883,379</u>	<u>11,660</u>
Total assets	<u>36,299,946</u>	<u>42,795,718</u>	<u>79,095,664</u>	<u>90,936</u>
Deferred outflows of resources:				
Deferred charges on debt refunding	2,685	-	2,685	-
Pension	2,720,220	442,980	3,163,200	77,118
OPEB	654,871	24,338	679,209	6,639
Total deferred outflows of resources	<u>3,377,776</u>	<u>467,318</u>	<u>3,845,094</u>	<u>83,757</u>
Liabilities:				
Accounts payable	88,577	82,974	171,551	974
Contracts payable	343,407	174,694	518,101	-
Accrued wages and benefits payable	231,012	63,977	294,989	4,527
Intergovernmental payable	110,397	26,792	137,189	2,389
Accrued interest payable	24,522	12,738	37,260	-
Deposits held and due to others	99,204	-	99,204	-
Unearned revenue	643,374	-	643,374	-
Long-term liabilities:				
Due within one year	434,013	358,723	792,736	-
Due in more than one year:				
Net pension liability	7,469,079	772,175	8,241,254	80,817
Net OPEB liability	1,149,458	-	1,149,458	-
Other amounts due in more than one year	2,798,368	1,535,581	4,333,949	3,966
Total liabilities	<u>13,391,411</u>	<u>3,027,654</u>	<u>16,419,065</u>	<u>92,673</u>
Deferred inflows of resources:				
Property taxes for the next fiscal year	1,182,457	-	1,182,457	-
Payment in lieu of taxes for the next fiscal year	46,412	-	46,412	-
Leases	28,869	-	28,869	-
Pension	3,271,355	962,012	4,233,367	100,486
OPEB	743,491	296,347	1,039,838	31,017
Total deferred inflows of resources	<u>5,272,584</u>	<u>1,258,359</u>	<u>6,530,943</u>	<u>131,503</u>
Net position:				
Net investment in capital assets	23,737,304	32,131,234	55,868,538	11,660
Restricted for:				
Debt service	110,137	-	110,137	-
Capital projects	2,529,560	-	2,529,560	-
Streets	101,244	-	101,244	-
Parks	136,994	-	136,994	-
Law enforcement	71,156	-	71,156	-
Community environment	259,296	-	259,296	-
Other purposes	39,231	-	39,231	-
Unrestricted (deficit)	<u>(5,971,195)</u>	<u>6,845,789</u>	<u>874,594</u>	<u>(61,143)</u>
Total net position	<u>\$ 21,013,727</u>	<u>\$ 38,977,023</u>	<u>\$ 59,990,750</u>	<u>\$ (49,483)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF SALEM, OHIO

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

	Program Revenues			
	Expenses	Charges for Services and Assessments	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Current:				
General government	\$ 1,429,265	\$ 165,180	\$ 222,449	\$ -
Security of persons and property:	5,157,557	70,681	32,326	-
Transportation	914,293	-	729,288	412,200
Community environment	261,976	181,516	241,498	-
Leisure time activities	480,492	41,979	-	-
Intergovernmental	60,312	-	-	-
Interest and fiscal charges	57,722	-	-	-
Total governmental activities	<u>8,361,617</u>	<u>459,356</u>	<u>1,225,561</u>	<u>412,200</u>
Business-type activities:				
Water	2,151,288	3,607,144	-	-
Wastewater	2,729,266	4,301,024	-	-
Total business-type activities	<u>4,880,554</u>	<u>7,908,168</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 13,242,171</u>	<u>\$ 8,367,524</u>	<u>\$ 1,225,561</u>	<u>\$ 412,200</u>
Component unit:				
City of Salem Health District	<u>\$ 189,519</u>	<u>\$ 108,721</u>	<u>\$ 25,738</u>	<u>\$ -</u>

General revenues:

- Property taxes levied for:
 - General purposes
 - Parks
 - Fire
 - Police
- Municipal income taxes levied for:
 - General purposes
 - Debt service
 - Capital projects
- Grants and entitlements not restricted to specific programs
- Payments in lieu of taxes
- Investment earnings
- Other

Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year

Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	City of Salem Health District
\$ (1,041,636)	\$ -	\$ (1,041,636)	\$ -
(5,054,550)	-	(5,054,550)	-
227,195	-	227,195	-
161,038	-	161,038	-
(438,513)	-	(438,513)	-
(60,312)	-	(60,312)	-
(57,722)	-	(57,722)	-
<u>(6,264,500)</u>	<u>-</u>	<u>(6,264,500)</u>	<u>-</u>
-	1,455,856	1,455,856	-
-	1,571,758	1,571,758	-
-	<u>3,027,614</u>	<u>3,027,614</u>	<u>-</u>
<u>(6,264,500)</u>	<u>3,027,614</u>	<u>(3,236,886)</u>	<u>-</u>
-	-	-	(55,060)
610,442	-	610,442	-
434,195	-	434,195	-
64,152	-	64,152	-
64,152	-	64,152	-
4,795,475	-	4,795,475	-
300,000	-	300,000	-
2,022,532	-	2,022,532	-
381,066	-	381,066	-
126,309	-	126,309	-
77,253	10,014	87,267	-
360,114	149,106	509,220	3,352
<u>9,235,690</u>	<u>159,120</u>	<u>9,394,810</u>	<u>3,352</u>
1,798	(1,798)	-	-
<u>9,237,488</u>	<u>157,322</u>	<u>9,394,810</u>	<u>3,352</u>
2,972,988	3,184,936	6,157,924	(51,708)
18,040,739	35,792,087	53,832,826	2,225
<u>\$ 21,013,727</u>	<u>\$ 38,977,023</u>	<u>\$ 59,990,750</u>	<u>\$ (49,483)</u>

CITY OF SALEM, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Parks</u>	<u>American Rescue Plan</u>	<u>Income Tax Capital Improvement</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,112,204	\$ 431,995	\$ 643,374	\$ 1,634,312
Receivables:				
Income taxes	1,428,078	-	-	-
Property taxes	639,636	434,366	-	-
Payment in lieu of taxes	-	-	-	-
Intergovernmental	153,191	11,006	-	-
Accrued interest	93	-	-	-
Accounts	27,089	-	-	1,663
Interfund loans	20,000	-	-	-
Leases	28,869	-	-	-
Materials and supplies inventory	70,697	-	-	-
Prepayments	67,233	7,840	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	99,204	-	-	-
Total assets	<u>\$ 3,646,294</u>	<u>\$ 885,207</u>	<u>\$ 643,374</u>	<u>\$ 1,635,975</u>
Liabilities:				
Accounts payable	\$ 41,977	\$ 82	\$ -	\$ 33,792
Contracts payable	-	-	-	343,407
Accrued wages and benefits payable	197,698	11,058	-	-
Intergovernmental payable	28,350	5,196	-	-
Interfund loans payable	-	-	-	-
Accrued interest payable	-	-	-	-
Unearned revenue	-	-	643,374	-
Deposits held and due to others	99,204	-	-	-
Total liabilities	<u>367,229</u>	<u>16,336</u>	<u>643,374</u>	<u>377,199</u>
Deferred inflows of resources:				
Property taxes	616,930	421,589	-	-
Payment in lieu of taxes	-	-	-	-
Leases	28,869	-	-	-
Unavailable revenue - property taxes	22,706	12,777	-	-
Unavailable revenue - income taxes	595,165	-	-	-
Unavailable revenue - intergovernmental	106,025	11,006	-	-
Total deferred inflows of resources	<u>1,369,695</u>	<u>445,372</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable	147,872	7,840	-	-
Restricted	-	415,659	-	1,258,776
Committed	-	-	-	-
Assigned	833,694	-	-	-
Unassigned	927,804	-	-	-
Total fund balances	<u>1,909,370</u>	<u>423,499</u>	<u>-</u>	<u>1,258,776</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,646,294</u>	<u>\$ 885,207</u>	<u>\$ 643,374</u>	<u>\$ 1,635,975</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Street Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 588,271	\$ 613,128	\$ 5,023,284
354,376	-	1,782,454
-	148,804	1,222,806
-	46,412	46,412
-	492,217	656,414
-	-	93
-	4,032	32,784
-	-	20,000
-	-	28,869
-	79,189	149,886
-	2,609	77,682
-	-	99,204
<u>\$ 942,647</u>	<u>\$ 1,386,391</u>	<u>\$ 9,139,888</u>
\$ -	\$ 12,726	\$ 88,577
-	-	343,407
-	22,256	231,012
-	76,851	110,397
-	75,507	75,507
-	175	175
-	-	643,374
-	-	99,204
<u>-</u>	<u>187,515</u>	<u>1,591,653</u>
-	143,938	1,182,457
-	46,412	46,412
-	-	28,869
-	4,866	40,349
148,791	-	743,956
-	249,593	366,624
<u>148,791</u>	<u>444,809</u>	<u>2,408,667</u>
-	81,798	237,510
793,856	689,809	3,158,100
-	91,984	91,984
-	-	833,694
-	(109,524)	818,280
<u>793,856</u>	<u>754,067</u>	<u>5,139,568</u>
<u>\$ 942,647</u>	<u>\$ 1,386,391</u>	<u>\$ 9,139,888</u>

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CITY OF SALEM, OHIO

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

Total governmental fund balances		\$	5,139,568
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			26,820,666
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows of resources in the funds.			
Unavailable revenue - property taxes	\$	40,349	
Unavailable revenue - income taxes		743,956	
Unavailable revenue - intergovernmental		366,624	
Total			1,150,929
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.			
Net pension asset		74,114	
Deferred outflows of resources		2,720,220	
Net pension liability		(7,469,079)	
Deferred inflows of resources		(3,271,355)	
Total			(7,946,100)
The net OPEB asset and net OPEB liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.			
Net OPEB asset		340,785	
Deferred outflows of resources		654,871	
Net OPEB liability		(1,149,458)	
Deferred inflows of resources		(743,491)	
Total			(897,293)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds payable		(494,281)	
Notes payable		(1,998,108)	
Loans payable		(238,250)	
Leases payable		(12,001)	
Compensated absences		(489,741)	
Total			(3,232,381)
Deferred charges on debt refundings are not recognized in the governmental funds.			2,685
On the statement of net position interest is accrued on outstanding debt obligations, whereas in governmental funds interest is accrued when due.			(24,347)
Net position of governmental activities		\$	21,013,727

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF SALEM, OHIO

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

	<u>General</u>	<u>Parks</u>	<u>American Rescue Plan</u>	<u>Income Tax Capital Improvement</u>
Revenues:				
Municipal income taxes	\$ 4,997,485	\$ -	\$ -	\$ 729,625
Property taxes	614,819	439,044	-	-
Charges for services	95,077	26,185	-	-
Fees, licenses and permits	197,537	8,234	-	-
Fines and forfeitures	13,214	-	-	-
Intergovernmental	313,455	22,011	222,449	-
Special assessments	-	-	-	-
Interest	76,160	-	-	-
Rental income	887	7,560	-	-
Contributions and donations	3,680	-	-	-
Payment in lieu of taxes	-	-	-	-
Other	56,077	23,489	-	52,191
Total revenues	<u>6,368,391</u>	<u>526,523</u>	<u>222,449</u>	<u>781,816</u>
Expenditures:				
Current:				
General government	1,339,908	-	222,449	-
Security of persons and property	4,367,720	-	-	-
Transportation	27,906	-	-	-
Community environment	141,204	-	-	-
Leisure time activities	-	524,360	-	-
Capital outlay	11,346	32,766	-	828,946
Intergovernmental	60,312	-	-	-
Debt service:				
Principal retirement	1,298	-	-	-
Interest and fiscal charges	484	-	-	-
Total expenditures	<u>5,950,178</u>	<u>557,126</u>	<u>222,449</u>	<u>828,946</u>
Excess (deficiency) of revenues over (under) expenditures	<u>418,213</u>	<u>(30,603)</u>	<u>-</u>	<u>(47,130)</u>
Other financing sources (uses):				
Note issuance	-	-	-	-
Proceeds from sale of capital assets	-	-	-	25,761
Lease transaction	11,123	-	-	-
Transfers in	3,640	-	-	-
Transfers (out)	(422,995)	-	-	-
Insurance recoveries	28,221	-	-	-
Total other financing sources (uses)	<u>(380,011)</u>	<u>-</u>	<u>-</u>	<u>25,761</u>
Net change in fund balances	38,202	(30,603)	-	(21,369)
Fund balances at beginning of year	<u>1,871,168</u>	<u>454,102</u>	<u>-</u>	<u>1,280,145</u>
Fund balances at end of year	<u>\$ 1,909,370</u>	<u>\$ 423,499</u>	<u>\$ -</u>	<u>\$ 1,258,776</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Street Improvement	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,343,410	\$ 300,000	\$ 7,370,520
-	129,242	1,183,105
-	3,900	125,162
-	81,080	286,851
-	-	13,214
25,559	938,017	1,521,491
-	25,682	25,682
1,093	-	77,253
-	-	8,447
-	125,000	128,680
-	126,309	126,309
-	188,478	320,235
<u>1,370,062</u>	<u>1,917,708</u>	<u>11,186,949</u>
5,985	8,089	1,576,431
-	588,874	4,956,594
210,404	897,627	1,135,937
-	172,951	314,155
-	49,028	573,388
986,479	259,465	2,119,002
-	-	60,312
1,000,000	266,427	1,267,725
12,465	41,841	54,790
<u>2,215,333</u>	<u>2,284,302</u>	<u>12,058,334</u>
<u>(845,271)</u>	<u>(366,594)</u>	<u>(871,385)</u>
1,000,000	-	1,000,000
-	4,625	30,386
-	2,463	13,586
110,000	422,995	536,635
-	(111,842)	(534,837)
-	-	28,221
<u>1,110,000</u>	<u>318,241</u>	<u>1,073,991</u>
264,729	(48,353)	202,606
529,127	802,420	4,936,962
<u>\$ 793,856</u>	<u>\$ 754,067</u>	<u>\$ 5,139,568</u>

CITY OF SALEM, OHIO

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

Net change in fund balances - total governmental funds	\$	202,606
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital asset purchases as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.		
Capital asset additions	\$ 3,120,944	
Current year depreciation/amortization	<u>(989,438)</u>	
Total		2,131,506
Governmental activities only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(22,408)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(10,164)	
Income taxes	(252,513)	
Intergovernmental	<u>(39,864)</u>	
Total		(302,541)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		1,267,725
In the statement of activities, interest is accrued on outstanding long-term debt obligations, whereas in governmental funds, an interest expenditure is reported when due. Higher interest expense is reported in the statement of activities due to the following:		
Increase in accrued interest payable	(1,955)	
Amortization of deferred charges on debt refunding	<u>(977)</u>	
Total		(2,932)
Proceeds from the issuance of notes and lease transactions are recorded as other financing sources in the governmental funds; however, in the statement of activities they are not reported as they increase liabilities on the statement of net position.		
		(1,013,586)
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows of resources.		
Pension	813,309	
OPEB	<u>13,742</u>	
Total		827,051
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB asset/liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(279,718)	
OPEB	<u>174,115</u>	
Total		(105,603)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(8,830)</u>
Change in net position of governmental activities	\$	<u>2,972,988</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF SALEM, OHIO

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Municipal income taxes	\$ 4,430,961	\$ 4,430,961	\$ 4,558,182	\$ 127,221
Property taxes	610,000	610,000	614,819	4,819
Charges for services	74,250	74,250	92,781	18,531
Fees, licenses and permits	150,500	163,500	196,644	33,144
Fines and forfeitures	10,000	10,000	12,222	2,222
Intergovernmental	259,000	259,000	312,756	53,756
Interest	20,000	20,000	75,034	55,034
Rental income	1,920	1,920	1,920	-
Contributions and donations	20,000	20,000	20,050	50
Other	41,000	41,000	57,037	16,037
Total revenues	<u>5,617,631</u>	<u>5,630,631</u>	<u>5,941,445</u>	<u>310,814</u>
Expenditures:				
Current:				
General government	1,448,420	1,440,064	1,347,321	92,743
Security of persons and property:	4,482,549	4,570,898	4,287,543	283,355
Transportation	39,500	41,342	38,351	2,991
Community environment	144,111	162,547	147,142	15,405
Intergovernmental	61,515	61,515	59,575	1,940
Total expenditures	<u>6,176,095</u>	<u>6,276,366</u>	<u>5,879,932</u>	<u>396,434</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(558,464)</u>	<u>(645,735)</u>	<u>61,513</u>	<u>707,248</u>
Other financing sources (uses):				
Advances out	-	(50,100)	(20,000)	30,100
Transfers in	22,000	22,000	3,640	(18,360)
Transfers out	(434,630)	(434,630)	(422,995)	11,635
Insurance recoveries	-	-	28,221	28,221
Total other financing sources (uses)	<u>(412,630)</u>	<u>(462,730)</u>	<u>(411,134)</u>	<u>51,596</u>
Net change in fund balance	(971,094)	(1,108,465)	(349,621)	758,844
Fund balance at beginning of year	1,480,888	1,480,888	1,480,888	-
Prior year encumbrances appropriated	45,875	45,875	45,875	-
Fund balance at end of year	<u>\$ 555,669</u>	<u>\$ 418,298</u>	<u>\$ 1,177,142</u>	<u>\$ 758,844</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF SALEM, OHIO

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 430,000	\$ 430,000	\$ 439,044	\$ 9,044
Charges for services	23,000	23,000	26,185	3,185
Fees, licenses and permits	10,000	10,000	8,234	(1,766)
Intergovernmental	22,000	22,000	22,011	11
Rental income	12,500	12,500	7,560	(4,940)
Other	23,200	23,200	23,489	289
Total revenues	<u>520,700</u>	<u>520,700</u>	<u>526,523</u>	<u>5,823</u>
Expenditures:				
Current:				
Leisure time activities	492,192	596,196	523,131	73,065
Capital outlay	130,776	158,410	32,766	125,644
Total expenditures	<u>622,968</u>	<u>754,606</u>	<u>555,897</u>	<u>198,709</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(102,268)</u>	<u>(233,906)</u>	<u>(29,374)</u>	<u>204,532</u>
Other financing sources (uses):				
Advances in	3,000	3,000	-	(3,000)
Total other financing sources (uses)	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
Net change in fund balance	(99,268)	(230,906)	(29,374)	201,532
Fund balance at beginning of year	460,201	460,201	460,201	-
Prior year encumbrances appropriated	1,168	1,168	1,168	-
Fund balance at end of year	<u>\$ 362,101</u>	<u>\$ 230,463</u>	<u>\$ 431,995</u>	<u>\$ 201,532</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF SALEM, OHIO

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 608,185	\$ 613,041	\$ 613,041	\$ -
Total revenues	<u>608,185</u>	<u>613,041</u>	<u>613,041</u>	<u>-</u>
Expenditures:				
Current:				
General government	636,876	293,159	526,240	(233,081)
Total expenditures	<u>636,876</u>	<u>293,159</u>	<u>526,240</u>	<u>(233,081)</u>
Net change in fund balance	(28,691)	319,882	86,801	(233,081)
Fund balance at beginning of year	235,777	235,777	235,777	-
Prior year encumbrances appropriated	28,691	28,691	28,691	-
Fund balance at end of year	<u>\$ 235,777</u>	<u>\$ 584,350</u>	<u>\$ 351,269</u>	<u>\$ (233,081)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

	Enterprise Funds		
	Water	Wastewater	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 3,274,533	\$ 3,078,623	\$ 6,353,156
Receivables:			
Accounts	640,567	711,941	1,352,508
Special assessments	-	92,957	92,957
Accrued interest	-	601	601
Interfund loans	-	255,507	255,507
Prepayments	23,027	23,472	46,499
Materials and supplies inventory	445,345	37,232	482,577
Total current assets	<u>4,383,472</u>	<u>4,200,333</u>	<u>8,583,805</u>
Noncurrent assets:			
Net pension asset	29,042	33,336	62,378
Net OPEB asset	133,537	153,285	286,822
Capital assets:			
Not being depreciated/amortized	955,758	2,590,411	3,546,169
Being depreciated/amortized, net	10,556,966	19,959,578	30,516,544
Total noncurrent assets	<u>11,675,303</u>	<u>22,736,610</u>	<u>34,411,913</u>
Total assets	<u>16,058,775</u>	<u>26,936,943</u>	<u>42,995,718</u>
Deferred outflows of resources:			
Pension	208,350	234,630	442,980
OPEB	11,612	12,726	24,338
Total deferred outflows of resources	<u>219,962</u>	<u>247,356</u>	<u>467,318</u>
Liabilities:			
Current liabilities:			
Accounts payable	40,318	42,656	82,974
Contracts payable	-	174,694	174,694
Accrued wages and benefits payable	28,307	35,670	63,977
Intergovernmental payable	12,140	14,652	26,792
Interfund loans payable	200,000	-	200,000
Accrued interest payable	426	12,312	12,738
General obligation bonds payable	-	300,000	300,000
Compensated absences payable	11,368	11,625	22,993
OWDA loans payable	2,034	-	2,034
OPWC loans payable	33,696	-	33,696
Total current liabilities	<u>328,289</u>	<u>591,609</u>	<u>919,898</u>
Noncurrent liabilities:			
General obligation bonds payable	-	1,200,000	1,200,000
Compensated absences payable	52,897	61,629	114,526
OWDA loans payable	2,034	-	2,034
OPWC loans payable	219,021	-	219,021
Net pension liability	359,505	412,670	772,175
Total noncurrent liabilities	<u>633,457</u>	<u>1,674,299</u>	<u>2,307,756</u>
Total liabilities	<u>961,746</u>	<u>2,265,908</u>	<u>3,227,654</u>
Deferred inflows of resources:			
Pension	447,872	514,140	962,012
OPEB	137,972	158,375	296,347
Total deferred inflows of resources	<u>585,844</u>	<u>672,515</u>	<u>1,258,359</u>
Net position:			
Net investment in capital assets	11,255,939	20,875,295	32,131,234
Unrestricted	3,475,208	3,370,581	6,845,789
Total net position	<u>\$ 14,731,147</u>	<u>\$ 24,245,876</u>	<u>\$ 38,977,023</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF SALEM, OHIO

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

	Enterprise Funds		
	Water	Wastewater	Total
Operating revenues:			
Charges for services	\$ 3,607,144	\$ 4,301,024	\$ 7,908,168
Other	74,990	74,116	149,106
Total operating revenues	<u>3,682,134</u>	<u>4,375,140</u>	<u>8,057,274</u>
Operating expenses:			
Personal services	619,403	696,761	1,316,164
Contract services	398,245	832,700	1,230,945
Materials and supplies	613,340	432,093	1,045,433
Other	1,912	546	2,458
Depreciation	513,294	714,586	1,227,880
Total operating expenses	<u>2,146,194</u>	<u>2,676,686</u>	<u>4,822,880</u>
Operating income	<u>1,535,940</u>	<u>1,698,454</u>	<u>3,234,394</u>
Nonoperating revenues (expenses):			
Investment earnings	-	10,014	10,014
Interest and fiscal charges	(5,094)	(45,813)	(50,907)
Loss on disposal of capital assets	-	(6,767)	(6,767)
Total nonoperating revenues (expenses)	<u>(5,094)</u>	<u>(42,566)</u>	<u>(47,660)</u>
Income before transfers	1,530,846	1,655,888	3,186,734
Transfers out	<u>(1,798)</u>	-	<u>(1,798)</u>
Change in net position	1,529,048	1,655,888	3,184,936
Net position at beginning of year	<u>13,202,099</u>	<u>22,589,988</u>	<u>35,792,087</u>
Net position at end of year	<u>\$ 14,731,147</u>	<u>\$ 24,245,876</u>	<u>\$ 38,977,023</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF SALEM, OHIO

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

	Enterprise Funds		
	Water	Wastewater	Total
Cash flows from operating activities:			
Cash received from sales/charges for services	\$ 3,434,492	\$ 4,152,316	\$ 7,586,808
Cash received from other operations	74,990	74,116	149,106
Cash payments for personal services	(917,565)	(1,028,581)	(1,946,146)
Cash payments for contract services	(415,155)	(869,729)	(1,284,884)
Cash payments for materials and supplies	(587,653)	(435,859)	(1,023,512)
Cash payments for other expenses	(1,912)	(546)	(2,458)
	1,587,197	1,891,717	3,478,914
Net cash provided by operating activities			
Cash flows from noncapital financing activities:			
Cash received from advances in	-	263,281	263,281
Cash used in advances out	(250,000)	-	(250,000)
Cash used in transfers out	(1,798)	-	(1,798)
	(251,798)	263,281	11,483
Net cash provided by (used in) noncapital financing activities			
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(442,352)	(1,058,164)	(1,500,516)
Principal paid on debt	(36,747)	(300,000)	(336,747)
Interest and fiscal charges paid on debt	(6,250)	(47,921)	(54,171)
	(485,349)	(1,406,085)	(1,891,434)
Net cash used in capital and related financing activities			
Cash flows from investing activities:			
Interest received	-	2,544	2,544
	-	2,544	2,544
Net cash provided by investing activities			
Net increase in cash and cash equivalents	850,050	751,457	1,601,507
Cash and cash equivalents at beginning of year	2,424,483	2,327,166	4,751,649
Cash and cash equivalents at end of year	\$ 3,274,533	\$ 3,078,623	\$ 6,353,156

CITY OF SALEM, OHIO

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

	Enterprise Funds		
	Water	Wastewater	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,535,940	\$ 1,698,454	\$ 3,234,394
Adjustments:			
Depreciation	513,294	714,586	1,227,880
(Increases) decreases in assets and deferred outflows of resources:			
Materials and supplies inventory	30,303	(25,360)	4,943
Accounts receivable	(172,652)	(181,507)	(354,159)
Special assessments receivable	-	32,799	32,799
Prepayments	(3,857)	(2,162)	(6,019)
Net pension asset	(5,778)	(6,399)	(12,177)
Net OPEB asset	(64,987)	(73,912)	(138,899)
Deferred outflows - pension	(123,334)	(135,925)	(259,259)
Deferred outflows - OPEB	26,831	31,792	58,623
Increases (decreases) in liabilities and deferred inflows of resources:			
Accounts payable	(25,009)	20,973	(4,036)
Contracts payable	-	(42,065)	(42,065)
Accrued wages and benefits	574	5,964	6,538
Intergovernmental payable	(5,082)	6,652	1,570
Compensated absences payable	(3,637)	4,900	1,263
Net pension liability	(199,056)	(234,085)	(433,141)
Deferred inflows - pension	168,549	182,216	350,765
Deferred inflows - OPEB	(84,902)	(105,204)	(190,106)
Net cash provided by operating activities	\$ 1,587,197	\$ 1,891,717	\$ 3,478,914

Non-cash capital transactions:

At December 31, 2022, the Wastewater fund had capital asset purchases on account consisting of \$174,694 in contracts payable.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF SALEM, OHIO

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

	<u>Custodial</u>
Assets:	
Equity in pooled cash and investments	\$ 7,934
Total assets	<u>7,934</u>
Net position:	
Restricted for individuals, organizations, and other governments	<u>7,934</u>
Total net position	<u>\$ 7,934</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF SALEM, OHIO

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

	<u>Custodial</u>
Additions:	
Fines and forfeitures for other governments	\$ 10,496
Total additions	<u>10,496</u>
Deductions:	
Fines and forfeitures to other governments	<u>5,747</u>
Total deductions	<u>5,747</u>
Change in net position	4,749
Net position at beginning of year	<u>3,185</u>
Net position at end of year	<u><u>\$ 7,934</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 1 - DESCRIPTION OF THE CITY

The City of Salem (the "City") was incorporated in 1887 and is a statutory municipal corporation under the laws of the State of Ohio. The City operates under a Mayor-Council form of government. The Mayor is elected for a four-year term. There are 8 Council members, 3 at-large, one for each of the 4 wards and a President of Council, all elected for four year staggered terms.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, Boards and agencies that are not legally separate from the City. For the City of Salem, this includes the agencies and Boards that provide the following services: police and fire protection, parks and recreation, planning, zoning, street maintenance, health and other governmental services. In addition, the City owns and operates a water treatment and distribution system and a wastewater treatment and collection system which are reported as enterprise funds. The operation of each of these activities is directly controlled by City Council through the budgetary process.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and 1) the City is able to significantly influence the programs or services performed or provided by the organization; or 2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

DISCRETELY PRESENTED COMPONENT UNITS

The component unit columns in the financial statements identifies the financial data of the City's component unit, the City of Salem Health District. It is reported separately to emphasize that it is legally separate from the City. Information for the component unit is presented in Note 23.

City of Salem Health District - The City of Salem Health District (the "District") is a legally separate organization. Among its various duties, the District provides for the prompt investigation and control of communicable diseases. The District is also required by law to inspect businesses where food is manufactured, handled, stored, or offered for sale. The District is operated by a Board with all members being appointed by the Mayor and confirmed by City Council. The rates charged by the District are subject to the approval of the Board. In addition, the City provides funding to the District, thus the City can impose will on the District, and the District imposes a financial burden to the City. Therefore, the District is considered a discretely presented component unit of the City of Salem. Separately issued financial statements can be obtained from The City of Salem Health District at Kent State City Center, 230 North Lincoln Avenue, Salem, Ohio 44460.

The City participates in a shared risk pool and a jointly governed organizations. These organizations are the Public Entities Pool of Ohio and the Regional Income Tax Agency. These organizations are presented in Notes 10 and 19 to the basic financial statements.

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

B. Basis of Presentation

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

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

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

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

C. Fund Accounting

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

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

General Fund - The general fund accounts for and reports all financial resources except those required to be 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.

Parks Fund - The parks fund accounts for and reports property taxes levied that are restricted for the operation and maintenance of City parks.

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

American Rescue Plan Fund - This fund accounts for monies received from the federal government as part of the American Rescue Plan Act of 2021. This Act provides additional relief to address the continued impact of the COVID-19 pandemic.

Income Tax Capital Improvement Capital Fund - The income tax capital improvement capital project fund accounts for and reports income tax receipts that are restricted for major capital projects undertaken by the City.

Street Improvement Fund - The street improvement capital project fund accounts for and reports income tax receipts that are restricted for major street capital projects undertaken by the City.

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

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City reports no 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 revenues generated from the charges for distribution of water to the residential and commercial users located within the City.

Wastewater Fund - The wastewater fund accounts for sanitary sewer services to City individuals and commercial users in the City. The costs of providing these services are financed primarily through user charges.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The City does not have 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 fiduciary funds are custodial funds. The City's custodial fund accounts for fines and forfeitures collected for the benefit of and distributed to individuals and other governments.

D. Measurement Focus

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

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

Like the government-wide statements, all proprietary and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

For proprietary funds, the statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

E. Basis of Accounting

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

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

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

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

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 13 and 14 for deferred outflows of resources related to net pension liability/asset and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2022, but which were levied to finance 2023 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. Unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The deferred inflow of resources for leases is related to the lease receivable and is being amortized to lease revenue in a systematic and rational manner over the term of the lease.

See Notes 13 and 14 for deferred inflows of resources related to net pension liability/asset and net OPEB liability/asset, respectively. These deferred inflows of resources are only reported on the government-wide statement of net position.

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

F. Cash and Cash Equivalents

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2022 amount to \$76,160, of which \$66,046 is assigned from other City funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2022, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

H. Inventory

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

I. Restricted Assets

Assets are reported as restricted when limitations on their use change in 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 imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies and amounts held on deposit for contractors.

J. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$1,000 with the exception of land as land was included regardless of cost. 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.

All capital assets are depreciated/amortized 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 estimated based on the City's historical records of necessary improvements and replacement. The City is reporting intangible right to use assets related to leased equipment. The intangible assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Depreciation/amortization is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	20 - 50 years
Improvements other than buildings	50 - 67 years
Land improvements	80 years
Machinery and equipment	3 - 20 years
Intangible right to use - leased equipment	5 years
Infrastructure	50 - 100 years

The City reports infrastructure consisting of roadways, sanitary and storm sewers, bridges and culverts, waterlines, traffic signals and sidewalks and includes infrastructure acquired prior to December 31, 1980.

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, loans and other long-term debt obligations are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

M. Interfund Balances

On the fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as interfund loans receivable/payable. Interfund loans which do not represent available expendable resources are classified as nonspendable fund balance. Interfund balance amounts 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.

N. Fund Balance

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

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

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).

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandates 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 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 a 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. These amounts are assigned by the City Council. In the general fund, assigned amounts represent intended uses established by policies of the Council or a City official delegated that authority by ordinance, or by State Statute. State statute authorizes the City Auditor to assign balance for purchases on order provided such amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's budget and for the Shade Tree program.

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

O. Estimates

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

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

P. Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. For reporting purposes, various custodial funds, utilized for internal control purposes, have been combined with the general fund and park special revenue fund. These custodial funds are not required to be budgeted and appropriated and therefore are not included in the Accountability and Compliance note (Note 3). The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriation resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level by department for all funds. Budgetary modification may only be made by resolution of the City Council at the legal level of control. Authority to further allocate Council appropriations within the object level has been given to the City Auditor.

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

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

Q. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for elderly bus fare, the community block grant program and cemetery maintenance.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and wastewater services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Revenues and expenses which do not meet these definitions are reported as non-operating.

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

S. Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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

T. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The City recognizes unearned revenue for intergovernmental revenue from grants received before the eligibility requirements are met.

U. Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

These changes were incorporated in the City's 2022 financial statements. The City recognized \$29,756 in governmental activities in leases receivable at January 1, 2022, due to the implementation of GASB 87; however, this entire amount was offset by deferred inflows of resources for leases.

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT’S COMPILATION REPORT)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

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

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

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

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

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

B. Deficit Fund Balances

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

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Police pension	\$ 35,598
Fire pension	27,701
Tax increment financing	46,225

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

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits determined to be necessary to meet current demands upon the City treasury. Active deposits 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.

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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

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

The 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;
3. Obligations of the City.

NOTE 5 - INTERFUND TRANSFERS AND BALANCES

A. Interfund Transfers

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

Transfer To:	Transfer From:			
	General	Nonmajor Governmental Funds	Water	Total
General	\$ -	\$ 1,842	\$ 1,798	\$ 3,640
Street improvement	-	110,000	-	110,000
Nonmajor governmental funds	422,995	-	-	422,995
Total	\$ 422,995	\$ 111,842	\$ 1,798	\$ 536,635

Transfers are made to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfers to the general fund were for accrued personal benefits owed to employees. Transfers from nonmajor governmental funds included \$110,000 to the street improvement fund to assist in covering costs of capital projects. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 5 - INTERFUND TRANSFERS AND BALANCES - (Continued)

B. Interfund Balances

Interfund balances at December 31, 2022, consisted of the following interfund loans receivable/payable:

Due To:	Due From:		
	Nonmajor		
	Funds	Water	Total
General	\$ 20,000	\$ -	\$ 20,000
Wastewater	55,507	200,000	255,507
Total	\$ 75,507	\$ 200,000	\$ 275,507

In 2022, the general fund advanced \$20,000 to the street construction, maintenance and repair fund (a nonmajor governmental fund) in order to avoid a potential cash deficit at year-end. This balance is expected to be repaid within one year. All other interfund balances represent manuscript debt borrowings.

On February 10, 2017, the City issued \$110,000 in manuscript debt for a 12 year period at a rate of 1.00 percent. The City has purchased this debt. The City has identified the wastewater fund as the fund that received the proceeds and the tax increment financing fund (a nonmajor governmental fund) as the fund that purchased the debt. For reporting purposes, these transactions are reflected as an interfund receivable and an interfund payable in the respective funds. During 2018, the City returned \$17,297 in unspent proceeds leaving a balance of \$92,703. As of December 31, 2022, the City has retired \$37,196. Principal and interest requirements to maturity on this manuscript debt are as follows:

	Principal	Interest
2023	\$ 6,476	\$ 555
2024	6,541	490
2025	6,606	425
2026	6,672	359
2027	6,739	292
2028 - 2031	22,473	489
	\$ 55,507	\$ 2,610

On May 30, 2018, the City issued \$1,100,000 in manuscript debt for a 5 year period at a rate of 2.50 percent. The City has purchased this debt. The City has identified the wastewater enterprise fund as the fund that received the proceeds and the water enterprise fund as the fund that purchased the debt. For reporting purposes, these transactions are reflected as an interfund receivable and an interfund payable in the respective funds. Proceeds were used for waterline improvements. During 2021, the City retired \$250,000 leaving a balance of \$200,000. The remaining principal and interest are due on May 30, 2023.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2022 for real and public utility property taxes represents collections of 2021 taxes.

2022 real property taxes were levied after October 1, 2022, on the assessed value as of January 1, 2022, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2022 real property taxes are collected in and intended to finance 2023.

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
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NOTE 6 - PROPERTY TAXES - (Continued)

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. 2022 public utility property taxes which became a lien December 31, 2021, are levied after October 1, 2022, and are collected in 2023 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2022, was \$5.70 per \$1,000 of assessed value. The assessed values of real and public utility tangible property upon which 2022 property tax receipts were based are as follows:

Real property	\$ 258,081,620
Public utility tangible personal property	<u>13,572,700</u>
Total assessed value	<u><u>\$ 271,654,320</u></u>

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. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2022, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2022 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2022, consisted primarily of municipal income taxes, property and other taxes, payments in lieu of taxes, intergovernmental receivables arising from grants, entitlements and shared revenues, special assessments, and accounts (billings for fees and services provided).

All receivables, except property taxes, income taxes, and special assessments, are expected to be received within one year. Property and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Special assessments are collected semi-annually over the life of the assessments, which are currently set to expire in 2029.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant and collected within one year.

A. Income Taxes

The City levies a municipal income tax of 1.25 percent on gross salaries, wages, commissions and other personal service compensation earned by residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted a credit up to the amount owed for taxes paid to other municipalities.

CITY OF SALEM, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
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NOTE 7 - RECEIVABLES - (Continued)

Employers within the City are required to withhold income tax on employee compensation and remit the tax to RITA either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. One percent of the income tax proceeds is distributed 82.5 percent to the general fund while the remaining 17.5 percent is distributed first to the general obligation bond retirement fund to cover debt payments then any remaining amount goes into the income tax capital improvement fund. The additional .25 percent income tax will be received by the street improvement capital projects fund for a five year period that started January 1, 2016 and ended December 31, 2020. In November 2019 voters approved to continue the .25 percent additional tax levy for an additional five years beginning January 1, 2021 to December 31, 2025. The new income tax proceeds are to be restricted for streets, alleys, sidewalks, curbs and storm sewers.

The Regional Income Tax Agency administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of approximately 1.34 percent.

B. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	Amounts
Governmental activities:	
Motor vehicle license and gas tax	\$ 348,920
Local government	106,974
Homestead and rollback	53,121
Permissive tax	6,545
Ohio Bureau of Worker's Compensation	1,421
Columbiana County	130,624
Mahoning County	8,809
	<u>\$ 656,414</u>

C. Payments in Lieu of Taxes

According to state law, the City has established several tax incremental financing districts within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the cost of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if the property had not been declared exempt. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners.

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
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NOTE 8 - CAPITAL ASSETS

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

	<u>Balance</u> <u>12/31/21</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/22</u>
Governmental activities:				
<i>Capital assets, not being depreciated/amortized:</i>				
Land	\$ 5,042,432	\$ -	\$ -	\$ 5,042,432
Construction in progress	-	530,283	-	530,283
Total capital assets, not being depreciated/amortized	<u>5,042,432</u>	<u>530,283</u>	<u>-</u>	<u>5,572,715</u>
<i>Capital assets, being depreciated/amortized:</i>				
Buildings	2,374,597	2,938	-	2,377,535
Improvements other than buildings	577,131	-	(12,429)	564,702
Land improvements	648,857	-	-	648,857
Machinery and equipment	5,734,528	453,463	(153,461)	6,034,530
Intangible right to use - leased equipment	-	13,858	-	13,858
Infrastructure	<u>32,794,472</u>	<u>2,120,402</u>	<u>-</u>	<u>34,914,874</u>
Total capital assets, being depreciated/amortized	<u>42,129,585</u>	<u>2,590,661</u>	<u>(165,890)</u>	<u>44,554,356</u>
<i>Less: accumulated depreciation/amortization</i>				
Buildings	(1,757,876)	(53,141)	-	(1,811,017)
Improvements other than buildings	(451,001)	(6,824)	12,429	(445,396)
Land improvements	(348,256)	(10,682)	-	(358,938)
Machinery and equipment	(3,476,049)	(427,315)	131,053	(3,772,311)
Intangible right to use - leased equipment	-	(2,079)	-	(2,079)
Infrastructure	<u>(16,427,267)</u>	<u>(489,397)</u>	<u>-</u>	<u>(16,916,664)</u>
Total accumulated depreciation/amortization	<u>(22,460,449)</u>	<u>(989,438)</u>	<u>143,482</u>	<u>(23,306,405)</u>
Total capital assets, being depreciated/amortized, net	<u>19,669,136</u>	<u>1,601,223</u>	<u>(22,408)</u>	<u>21,247,951</u>
Governmental activities capital assets, net	<u>\$ 24,711,568</u>	<u>\$ 2,131,506</u>	<u>\$ (22,408)</u>	<u>\$ 26,820,666</u>

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

General government	\$ 34,528
Security of persons and property	330,905
Transportation	573,066
Leisure time activities	<u>50,939</u>
Total - governmental activities	<u>\$ 989,438</u>

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 8 - CAPITAL ASSETS - (Continued)

	<u>Balance</u> <u>12/31/21</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/22</u>
Business-type activities:				
<i>Capital assets, not being depreciated/amortized:</i>				
Land	\$ 669,334	\$ -	\$ -	\$ 669,334
Construction in progress	<u>1,614,239</u>	<u>1,262,596</u>	<u>-</u>	<u>2,876,835</u>
Total capital assets, not being depreciated/amortized	<u>2,283,573</u>	<u>1,262,596</u>	<u>-</u>	<u>3,546,169</u>
<i>Capital assets, being depreciated/amortized:</i>				
Buildings	22,377,137	23,319	-	22,400,456
Improvements other than buildings	132,882	-	-	132,882
Machinery and equipment	9,682,638	148,676	(19,684)	9,811,630
Infrastructure	<u>28,353,287</u>	<u>240,619</u>	<u>-</u>	<u>28,593,906</u>
Total capital assets, being depreciated/amortized	<u>60,545,944</u>	<u>412,614</u>	<u>(19,684)</u>	<u>60,938,874</u>
<i>Less: accumulated depreciation/amortization</i>				
Buildings	(14,374,106)	(473,975)	-	(14,848,081)
Improvements other than buildings	(100,142)	(1,630)	-	(101,772)
Machinery and equipment	(8,622,716)	(161,725)	12,917	(8,771,524)
Infrastructure	<u>(6,110,403)</u>	<u>(590,550)</u>	<u>-</u>	<u>(6,700,953)</u>
Total accumulated depreciation/amortization	<u>(29,207,367)</u>	<u>(1,227,880)</u>	<u>12,917</u>	<u>(30,422,330)</u>
Total capital assets, being depreciated/amortized, net	<u>31,338,577</u>	<u>(815,266)</u>	<u>(6,767)</u>	<u>30,516,544</u>
Business-type activities capital assets, net	<u>\$ 33,622,150</u>	<u>\$ 447,330</u>	<u>\$ (6,767)</u>	<u>\$ 34,062,713</u>

NOTE 9 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to twenty-five days of vacation per year, depending upon length of service. Earned unused vacation time is paid upon termination of employment. Employees earn sick leave at a rate of 0.06 per hour worked. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee will be paid for 25 percent of accumulated, unused sick leave up to a maximum of 320 hours.

B. Insurance

The City provides medical, prescription, dental, and vision insurances for all full-time employees and three permanent part-time dispatchers as well as the Mayor, Auditor and Law Director. Medical/surgical and prescription insurance is provided through Anthem. Dental and vision insurance is provided through Anthem. The City pays monthly premiums up to a maximum amount, per union agreements. The additional premium costs are paid by the employee. City premiums are paid from the same funds that pay the employees' salaries.

Life insurance is provided to full-time employees through American United Life Insurance. Full-time employees receive \$25,000 term life coverage. The City pays the total monthly premium. The benefit reduces by 35% at age 65 and reduces to 50% at age 70. All coverage terminates at the end of employment, including retirement.

CITY OF SALEM, OHIO

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NOTE 10 - PUBLIC ENTITY RISK POOL

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

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2021, the Pool retained \$500,000 for casualty claims and \$250,000 for property claims. The Board of Directors and York periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain.

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

PEP's financial statements conform to generally accepted accounting principles, and show the following assets, liabilities and net position at December 31, 2021 (the latest information available):

<u>Casualty and Property Coverage</u>	<u>2021</u>
Assets	\$ 41,996,850
Liabilities	<u>14,974,099</u>
Net Position - Unrestricted	<u>\$ 27,022,751</u>

At December 31, 2021, the liabilities above include unknown amounts of estimated incurred claims payable. The casualty coverage assets and net position above include approximately \$13.9 million of unpaid claims to be billed to approximately 589 member governments in the future, as of December 31, 2021. These amounts will be included in future contributions from members when the related claims are due for payment. This payable includes subsequent year's contributions due if the City terminates participation, as described in the last paragraph below.

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

This was the fifth year the City was a member of the PEP. The contribution for 2022 was \$171,193.

After completing one year of membership, members may withdraw on each anniversary date of the date they joined PEP, provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligations to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to withdrawal.

CITY OF SALEM, OHIO

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NOTE 11 - LONG-TERM OBLIGATIONS

Original issue amounts and interest rates of the City's debt issues are as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Year of Maturity</u>
<u>Governmental Activities:</u>			
<i>General Obligation Bonds:</i>			
Various Purpose Bonds, Series A	2.59 %	\$ 328,000	2023
Various Purpose Refunding Bonds	2.45	1,540,000	2025
<i>OPWC Loan from Direct Borrowing</i>			
East Pershing Street Improvement	0.00	376,179	2042
<i>Long Term Notes from Direct Placement</i>			
Infrastructure Improvement Note, Series 2021	1.25	1,000,000	2022
Infrastructure Improvement Note, Series 2022	2.60	1,000,000	2023
Firetruck Acquisition Note	2.35	670,000	2025
Real Estate Acquisition Note	2.30	450,000	2026
<u>Business-Type Activities:</u>			
<i>OPWC Loan from Direct Borrowing</i>			
Roosevelt Ave Water Tank	0.00	673,917	2030
<i>OWDA Loan from Direct Borrowing</i>			
Asset Management Plan	N/A	10,170	2025
<i>Wastewater System Improvement Bond</i>	2.90	3,000,000	2027

During 2022, the following activity occurred in the City's long-term obligations.

	<u>Balance</u>			<u>Balance</u>	<u>Due in</u>
	<u>12/31/21</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/22</u>	<u>One Year</u>
<u>Governmental Activities:</u>					
<u>General Obligation Bonds:</u>					
Various Purpose, Series A	\$ 31,970	\$ -	\$ (31,970)	\$ -	\$ -
Various Purpose Refunding, Series 2014	654,281	-	(160,000)	494,281	160,000
Total General Obligation Bonds	<u>686,251</u>	<u>-</u>	<u>(191,970)</u>	<u>494,281</u>	<u>160,000</u>
<u>Notes Payable (Direct Placement):</u>					
Infrastructure Improvement	1,000,000	1,000,000	(1,000,000)	1,000,000	-
Firetruck Acquisition	609,739	-	(61,631)	548,108	63,080
Real Estate Acquisition	450,000	-	-	450,000	-
Total Notes Payable	<u>2,059,739</u>	<u>1,000,000</u>	<u>(1,061,631)</u>	<u>1,998,108</u>	<u>63,080</u>
<u>OPWC Loans (Direct Borrowing):</u>					
East Pershing Street Improvement	250,789	-	(12,539)	238,250	12,539
<u>Other Obligations:</u>					
Leases Payable	-	13,586	(1,585)	12,001	2,518
Compensated Absences	480,911	202,151	(193,321)	489,741	195,876
Net Pension Liability	8,462,775	-	(993,696)	7,469,079	-
Net OPEB Liability	1,059,424	90,034	-	1,149,458	-
Total Other Obligations	<u>10,003,110</u>	<u>305,771</u>	<u>(1,188,602)</u>	<u>9,120,279</u>	<u>198,394</u>
Total Governmental Activities	<u>\$ 12,999,889</u>	<u>\$ 1,305,771</u>	<u>\$ (2,454,742)</u>	<u>\$ 11,850,918</u>	<u>\$ 434,013</u>

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
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NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>Due in</u>
	<u>12/31/21</u>	<u>12/31/22</u>	<u>12/31/22</u>	<u>12/31/22</u>	<u>One Year</u>
Business-Type Activities:					
<u>General Obligation Bonds:</u>					
Wastewater System Improvement	\$ 1,800,000	\$ -	\$ (300,000)	\$ 1,500,000	300,000
<u>OPWC Loans (Direct Borrowing):</u>					
Roosevelt Avenue Water Tank	286,413	-	(33,696)	252,717	33,696
<u>OWDA Loans (Direct Borrowing):</u>					
Asset Management Plan	7,119	-	(3,051)	4,068	2,034
<u>Other Obligations:</u>					
Compensated Absences	136,256	22,993	(21,730)	137,519	22,993
Net Pension Liability	1,205,316	-	(433,141)	772,175	-
Total Other Obligations	1,341,572	22,993	(454,871)	909,694	22,993
Total Business-Type Activities	<u>\$ 3,435,104</u>	<u>\$ 22,993</u>	<u>\$ (791,618)</u>	<u>\$ 2,666,479</u>	<u>\$ 358,723</u>

In 2022, the City issued \$1,000,000 in long term Infrastructure Improvement notes through direct placement. These notes were issued at an interest rate of 2.60 percent and mature on April 28, 2023.

In 2022, the City entered into a lease agreement for the right to use copier equipment. The lease term is 60 months with payments due monthly. Payments are made from the general fund.

In 2021, the City issued \$1,000,000 in long term Infrastructure Improvement notes through direct placement. These notes were issued at an interest rate of 1.25 percent and mature on April 29, 2022.

In 2021, the City issued \$450,000 in long term Real Estate Acquisition notes through direct placement. These notes were issued at an interest rate of 2.30 percent and mature on October 28, 2026.

In 2020, the City issued \$670,000 in Firetruck Acquisition notes through direct placement for the purchase of a new firetruck. These notes were issued at an interest rate of 2.35 percent and retire on April 3, 2025. The notes will be paid from the income tax capital improvement fund.

In 2013, the City issued \$328,000 of general obligation bonds for the cost of constructing and installing improvements comprising the Springdale Street extension project. General obligations bonds will be paid from the general obligation debt service fund.

On September 30, 2014, the City issued \$1,540,000 in general obligation bonds to refund a portion of the 2005 general obligation various purpose improvement bonds. The bonds were issued for an eleven year period with a final maturity at December 1, 2025.

In 2017, the City issued \$3,000,000 in wastewater system improvement bonds for the purpose of paying the cost of constructing and installing improvements comprising the Snyder Road Sanitary Sewer Improvement Project and other wastewater system improvements in the City. These bonds were issued at an interest rate of 2.90 percent and mature on March 20, 2027. The bonds will be paid from the wastewater enterprise fund.

The City's outstanding OPWC loans are direct borrowings and contain provisions that in an event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, the OPWC may require that such payment be taken from the City's share of the City undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable. OPWC loans will be paid from water and wastewater enterprise fund user service charges and monies from the general obligation bond retirement fund.

CITY OF SALEM, OHIO

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(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The City's outstanding OWDA loan is a direct borrowing and contains provisions that in the event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid. The OWDA loan will be paid from the water enterprise fund user service charges.

There is no repayment schedule for the net pension/OPEB liabilities, however, employer pension contributions are made from the fund benefiting from their service. For additional information related to the net pension/OPEB liabilities see Notes 13 and 14. Compensated absences will be paid from the general fund, parks fund, street construction maintenance and repair fund (a nonmajor governmental fund), water fund, and wastewater fund.

The City has pledged future revenues, net of operating expenses, to repay OPWC and OWDA loans in the water fund. The debt is payable solely from net revenues and is payable through 2030. Annual principal and interest payments on the debt issues are expected to require approximately 1.79 percent of net revenues. The total principal remaining to be paid on the loans is \$256,785. Principal paid for the current year and total net revenues were \$36,747 and \$2,049,234, respectively.

The City's overall legal debt margin was \$26,646,267 at December 31, 2022.

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

Year Ending December 31,	General Obligation Bonds		Notes Payable (Direct Placement)		Leases Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 160,000	\$ 12,128	\$ 63,080	\$ 23,232	\$ 2,518	\$ 746
2024	165,000	8,208	64,562	21,749	2,696	568
2025	169,281	4,165	420,466	20,232	2,888	376
2026	-	-	450,000	10,350	3,092	172
2027	-	-	-	-	807	9
Total	<u>\$ 494,281</u>	<u>\$ 24,501</u>	<u>\$ 998,108</u>	<u>\$ 75,563</u>	<u>\$ 12,001</u>	<u>\$ 1,871</u>

Year Ending December 31,	OPWC Loan (Direct Borrowing)	
	Principal	Interest
2023	\$ 12,539	\$ -
2024	12,539	-
2025	12,539	-
2026	12,539	-
2027	12,539	-
2028 - 2032	62,695	-
2033 - 2037	62,700	-
2038 - 2041	50,160	-
Total	<u>\$ 238,250</u>	<u>\$ -</u>

CITY OF SALEM, OHIO

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NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ending December 31,	General Obligation Bonds		OWDA Loan (Direct Borrowing)		OPWC Loan (Direct Borrowing)	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 300,000	\$ 39,617	\$ 2,034	\$ -	\$ 33,696	\$ -
2024	300,000	30,901	2,034	-	33,696	-
2025	300,000	21,993	-	-	33,696	-
2026	300,000	13,181	-	-	3,696	-
2027	300,000	4,370	-	-	33,696	-
2028 - 2030	-	-	-	-	84,237	-
Total	<u>\$ 1,500,000</u>	<u>\$ 110,062</u>	<u>\$ 4,068</u>	<u>\$ -</u>	<u>\$ 222,717</u>	<u>\$ -</u>

Conduit Debt

The City has issued Revenue Bonds to provide financial assistance to the City's hospital facilities. The monies are used primarily for upgrades to these facilities. In addition, the City has issued bonds to provide the necessary funds for the construction of a community recreation center. During 2013, the hospital revenue bonds were refunded. At December 31, 2022, the outstanding bonds have a principal amount outstanding of \$12,780,000. The City is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely for the City's debt presentation. There has not been any condition of default under the bonds or the related financing documents. The City has made a commitment to maintain the bond issue's tax exempt status, but has not made any further commitments.

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2022, the City contracted with the Public Entities Pool of Ohio (PEP) for various types of insurance as follows:

Type	Coverage
Bodily Injury and Property	\$ 8,000,000
Law Enforcement	8,000,000
Emergency Medical Services	8,000,000
Fire Damage Legal	8,000,000
Personal and Advertising Injury	8,000,000
Public Officials	8,000,000
Employee Benefits	1,000,000
Municipal Attorney and Law Directors	8,000,000
Stop Gap	8,000,000
Medical Payments	5,000
Automobile	8,000,000
Uninsured/Underinsured Motorist	100,000
Crime	40,000
Abuse/Molestation	800,000

Claims have not exceeded this coverage in any of the past three years and there has been no significant reduction in commercial coverage in any of the past three years.

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Asset and Net OPEB Liability/Asset

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

Pensions and OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions and OPEB are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB 68/75 assumes the liability/asset is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients.

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

The remainder of this note includes the pension disclosures. See Note 14 for the OPEB disclosures.

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member’s pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

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

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

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

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

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

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

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

The City’s contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$440,790 for 2022. Of this amount, \$54,155 is reported as a liability.

CITY OF SALEM, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

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

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

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

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$573,964 for 2022. Of this amount, \$75,846 is reported as a liability.

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

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

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

	<u>OPERS - Traditional</u>	<u>OPERS - Combined</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net pension liability/asset prior measurement date	0.01925741%	0.04114352%	0.09999120%	
Proportion of the net pension liability/asset current measurement date	<u>0.01942011%</u>	<u>0.03464202%</u>	<u>0.10486930%</u>	
Change in proportionate share	<u>0.00016270%</u>	<u>-0.00650150%</u>	<u>0.00487810%</u>	
Proportionate share of the net pension liability	\$ 1,689,627	\$ -	\$ 6,551,627	\$ 8,241,254
Proportionate share of the net pension (asset)	-	(136,492)	-	(136,492)
Pension expense	(366,201)	(4,925)	498,477	127,351

CITY OF SALEM, OHIO

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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	OPERS - Traditional	OPERS - Combined	OP&F	Total
Deferred outflows of resources				
Differences between expected and actual experience	\$ 86,135	\$ 847	\$ 188,913	\$ 275,895
Changes of assumptions	211,286	6,858	1,197,354	1,415,498
Changes in employer's proportionate percentage/difference between employer contributions	102,090	-	354,963	457,053
Contributions subsequent to the measurement date	420,940	19,850	573,964	1,014,754
Total deferred outflows of resources	<u>\$ 820,451</u>	<u>\$ 27,555</u>	<u>\$ 2,315,194</u>	<u>\$ 3,163,200</u>
Deferred inflows of resources				
Differences between expected and actual experience	\$ 37,057	\$ 15,270	\$ 340,594	\$ 392,921
Net difference between projected and actual earnings on pension plan investments	2,009,751	29,266	1,717,734	3,756,751
Changes in employer's proportionate percentage/difference between employer contributions	66,508	-	17,187	83,695
Total deferred inflows of resources	<u>\$ 2,113,316</u>	<u>\$ 44,536</u>	<u>\$ 2,075,515</u>	<u>\$ 4,233,367</u>

\$1,014,754 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of/increase to the net pension liability/asset in the year ending December 31, 2023.

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	OPERS - Traditional	OPERS - Combined	OP&F	Total
Year Ending December 31:				
2023	\$ (244,527)	\$ (8,972)	\$ 76,406	\$ (177,093)
2024	(677,001)	(12,401)	(390,931)	(1,080,333)
2025	(472,574)	(8,132)	(115,252)	(595,958)
2026	(319,703)	(6,013)	(72,200)	(397,916)
2027	-	(801)	167,692	166,891
Thereafter	-	(512)	-	(512)
Total	\$ (1,713,805)	\$ (36,831)	\$ (334,285)	\$ (2,084,921)

Actuarial Assumptions - OPERS

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

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

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

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

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 15.3% for 2021.

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

For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	24.00 %	1.03 %
Domestic equities	21.00	3.78
Real estate	11.00	3.66
Private equity	12.00	7.43
International equities	23.00	4.88
Risk Parity	5.00	2.92
Other investments	4.00	2.85
Total	<u>100.00 %</u>	<u>4.21 %</u>

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 4,454,779	\$ 1,689,627	\$ (611,345)
Combined Plan	(101,848)	(136,492)	(163,510)

Actuarial Assumptions - OP&F

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

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

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

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

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

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

Note: assumptions are geometric.

* levered 2x

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. A discount rate of 8.00% was used in the previous measurement date. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 9,715,972	\$ 6,551,627	\$ 3,916,510

NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 13 for a description of the net OPEB liability/asset.

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

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

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2022 was 4.00%.

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2022.

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

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

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

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

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

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50% and 24.00% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2022, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$13,742 for 2022. Of this amount, \$1,816 is reported as a liability.

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.01964347%	0.09999120%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.02003757%</u>	<u>0.10486930%</u>	
Change in proportionate share	<u>0.00039410%</u>	<u>0.00487810%</u>	
Proportionate share of the net OPEB liability	\$ -	\$ 1,149,458	\$ 1,149,458
Proportionate share of the net OPEB (asset)	(627,607)	-	(627,607)
OPEB expense	(567,557)	123,060	(444,497)

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 52,290	\$ 52,290
Changes of assumptions	-	508,787	508,787
Changes in employer's proportionate percentage/difference between employer contributions	30,161	74,229	104,390
Contributions subsequent to the measurement date	-	13,742	13,742
Total deferred outflows of resources	<u>\$ 30,161</u>	<u>\$ 649,048</u>	<u>\$ 679,209</u>

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 95,199	\$ 151,919	\$ 247,118
Net difference between projected and actual earnings on OPEB plan investments	299,201	103,833	403,034
Changes of assumptions	254,048	133,504	387,552
Changes in employer's proportionate percentage/difference between employer contributions	-	2,134	2,134
Total deferred inflows of resources	<u>\$ 648,448</u>	<u>\$ 391,390</u>	<u>\$ 1,039,838</u>

\$13,742 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of/increase to the net OPEB liability/asset in the year ending December 31, 2023.

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2023	\$ (378,907)	\$ 64,581	\$ (314,326)
2024	(131,036)	49,167	(81,869)
2025	(65,373)	52,520	(12,853)
2026	(42,971)	15,245	(27,726)
2027	-	29,957	29,957
Thereafter	-	32,446	32,446
Total	<u>\$ (618,287)</u>	<u>\$ 243,916</u>	<u>\$ (374,371)</u>

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021.

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

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

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	0.91 %
Domestic equities	25.00	3.78
Real Estate Investment Trusts (REITs)	7.00	3.71
International equities	25.00	4.88
Risk parity	2.00	2.92
Other investments	7.00	1.93
Total	100.00 %	3.45 %

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

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

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB asset	\$ 369,092	\$ 627,607	\$ 842,180

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

- Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

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

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB asset	\$ 634,390	\$ 627,607	\$ 619,562

Actuarial Assumptions - OP&F

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

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

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

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	
Current measurement date	7.50%
Prior measurement date	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Single discount rate:	
Current measurement date	2.84%
Prior measurement date	2.96%
Cost of Living Adjustments	2.20% simple per year

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

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

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

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

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

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

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

Note: assumptions are geometric.

* levered 2x

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

Discount Rate - For 2021, the total OPEB liability was calculated using the discount rate of 2.84%. For 2020, the total OPEB liability was calculated using the discount rate of 2.96%. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 7.50%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, a municipal bond rate of 2.05% at December 31, 2021 and 2.12% at December 31, 2020 was blended with the long-term rate of 7.50%, which resulted in a blended discount rate of 2.84%.

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

	Current		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability	\$ 1,444,894	\$ 1,149,458	\$ 906,609

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

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual for the general fund and the parks fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned, committed or restricted fund balance for that portion of outstanding encumbrances not already recognized as a liability (GAAP basis).

The following table summarized the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and major special revenue funds:

	Net Change in Fund Balance		
	<u>General</u>	<u>Parks</u>	<u>American Rescue Plan</u>
Budget basis	\$ (349,621)	\$ (29,374)	\$ 86,801
Net adjustment for revenue accruals	426,946	-	(390,592)
Net adjustment for expenditure accruals	(103,888)	(1,229)	11,686
Net adjustment for other sources/uses	31,123	-	-
Adjustment for encumbrances	<u>33,642</u>	<u>-</u>	<u>292,105</u>
GAAP basis	<u>\$ 38,202</u>	<u>\$ (30,603)</u>	<u>\$ -</u>

NOTE 16 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2022.

B. Litigation

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

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 17 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of 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:

Fund balance	General	Parks	Income Tax Capital Improvement	Street Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepayments	\$ 67,233	\$ 7,840	\$ -	\$ -	\$ 2,609	\$ 77,682
Consumable inventory	70,697	-	-	-	79,189	149,886
Unclaimed monies	9,942	-	-	-	-	9,942
Total nonspendable	<u>147,872</u>	<u>7,840</u>	<u>-</u>	<u>-</u>	<u>81,798</u>	<u>237,510</u>
Restricted:						
Park operations	-	415,659	-	-	-	415,659
Public safety	-	-	-	-	78,892	78,892
Community development	-	-	-	-	259,296	259,296
Street maintenance	-	-	-	-	204,475	204,475
Capital improvements	-	-	1,258,776	793,856	-	2,052,632
Storm water study	-	-	-	-	30,302	30,302
Debt service payments	-	-	-	-	116,844	116,844
Total restricted	<u>-</u>	<u>415,659</u>	<u>1,258,776</u>	<u>793,856</u>	<u>689,809</u>	<u>3,158,100</u>
Committed:						
Municipal events	-	-	-	-	17,388	17,388
Capital improvements	-	-	-	-	2,535	2,535
Public safety	-	-	-	-	27	27
Community development	-	-	-	-	72,034	72,034
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,984</u>	<u>91,984</u>
Assigned:						
Shade tree program	624	-	-	-	-	624
Public safety	21,734	-	-	-	-	21,734
Subsequent year appropriations	811,336	-	-	-	-	811,336
Total assigned	<u>833,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>833,694</u>
Unassigned (deficit)	<u>927,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(109,524)</u>	<u>818,280</u>
Total fund balances	<u>\$ 1,909,370</u>	<u>\$ 423,499</u>	<u>\$ 1,258,776</u>	<u>\$ 793,856</u>	<u>\$ 754,067</u>	<u>\$ 5,139,568</u>

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
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NOTE 18 - TAX ABATEMENTS

As of December 31, 2022, the City of Salem provides tax incentives under the Community Reinvestment Area (CRA).

A. Real Estate Tax Abatements

In 1981, the City established a Community Reinvestment Area comprised of the Central and Northwest Industrial Area. In 2017, an ordinance was passed that opened up the Community Reinvestment Area to the rest of the City of Salem that had not been covered under the previous resolutions. Under this program, the City of Salem authorizes incentives through passage of public resolutions, based upon each business’ investment and job creation commitment. To qualify for abatement, the work must be done in an abated area, a Salem City Zoning Permit must be obtained, a Community Reinvestment Tax Abatement application must be completed and filed with the Zoning Office before December 15th of the year the project is completed. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient’s property tax bill. The establishment of the Community Reinvestment Area gave the City the ability to maintain and expand business located in the City and create new jobs.

B. Current Tax Abatement Activity

The City of Salem currently has one active CRA abatement. The City considers projects based on program criteria specified by the Ohio Revised Code. The City adheres to State prescribed minimum investment and job creation for determining the application of abatement for projects.

Below is the information relevant to the disclosure of those programs for the year ended December 31, 2022.

Tax Abatement Program	Total Amount of Taxes Abated (Incentives Abated) For the year 2022 (In Actual Dollars)
<i>Community Reinvestment Area (CRA)</i>	
- Commercial/Industrial	\$ 6,863

NOTE 19 - JOINTLY GOVERNED ORGANIZATION

The City is a member of the Regional Income Tax Agency (RITA). RITA is a regional council of governments formed to establish a central collection agency for the purpose of administering the income tax laws of the members and for the purpose of the collection of income taxes on behalf of each member. RITA currently has approximately 350 members. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA’s operation including budgeting, appropriating, contracting and designating management. Each participant’s degree of control is limited to its representation on the council.

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
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NOTE 20 - ENCUMBRANCES

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 33,642
American rescue plan	292,105
Income tax capital improvement	610,605
Street improvement	58,733
Nonmajor governmental funds	<u>43,169</u>
Total	<u>\$ 1,038,254</u>

NOTE 21 - ASSET RETIREMENT OBLIGATIONS

The Governmental Accounting Standards 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. Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewage treatment system to the Ohio Environmental Protection Agency (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. Any ARO associated with these public safety issues are not reasonably estimable. Currently, there is significant uncertainty as to what public safety items would need to be addressed; therefore, a reliable estimated amount could not be determined.

NOTE 22 - SUBSEQUENT EVENT

On April 28, 2023, the City issued \$1,000,000 of notes payable for infrastructure improvements. The notes were issued at an interest rate of 5.30% and mature April 26, 2024.

NOTE 23 - CITY OF SALEM HEALTH DISTRICT

Description of Reporting Entity

The City of Salem Health District (the “District”) is a legally separate organization formed by the City of Salem Mayor and Council. Among its various duties, the District provides for the prompt investigation and control of communicable diseases. The District is also required by law to inspect businesses where food is manufactured, handled, stored, or offered for sale.

Summary of Significant Account Policies

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

A. Basis of Presentation

The District’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities.

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 23 - CITY OF SALEM HEALTH DISTRICT - (Continued)

The statement of net position and the statement of activities display information about the District as a whole. The statement of net position presents the financial condition of the District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental program is self-financing or draws from the general revenues of the District.

B. Fund Accounting

The District uses a fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting District with a self-balancing set of accounts. The District's fund is a governmental fund.

C. Measurement Focus

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Revenues-Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, includes grants and donations. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the government-wide statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

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

CITY OF SALEM, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 23 - CITY OF SALEM HEALTH DISTRICT - (Continued)

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

E. Estimates

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2022, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

G. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of expendable supplies held for consumption.

H. Capital Assets

All of the District’s capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the governmentwide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition value on the date donated. The District maintains a capitalization threshold of one thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	30 - 75 years
Furniture, fixtures and equipment	3 - 20 years

I. Compensated Absences

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

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 23 - CITY OF SALEM HEALTH DISTRICT - (Continued)

J. Pensions/Other Postemployment Benefits (OPEB)

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgment and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Net pension/OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

L. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Change in Accounting Principles

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

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation of GASB Statement No. 87 did not have an effect on the financial statements of the District.

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

CITY OF SALEM, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 23 - CITY OF SALEM HEALTH DISTRICT - (Continued)

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

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

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

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

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

Deposits and Investments

The City of Salem Auditor is custodian for the District's deposits. The City's deposit and investment pool holds the District's assets, valued at the City Auditor's reported carrying amount.

Receivables

The District did not have any receivables at December 31, 2022.

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 23 - CITY OF SALEM HEALTH DISTRICT - (Continued)

Capital Assets

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

	Balance			Balance
<u>Governmental activities:</u>	<u>12/31/21</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/22</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	\$ 2,215	\$ -	\$ -	\$ 2,215
Furniture, fixtures and equipment	<u>20,096</u>	<u>2,950</u>	<u>-</u>	<u>23,046</u>
Total capital assets, being depreciated	<u>22,311</u>	<u>2,950</u>	<u>-</u>	<u>25,261</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(166)	(111)	-	(277)
Furniture, fixtures and equipment	<u>(11,008)</u>	<u>(2,316)</u>	<u>-</u>	<u>(13,324)</u>
Total accumulated depreciation	<u>(11,174)</u>	<u>(2,427)</u>	<u>-</u>	<u>(13,601)</u>
Governmental activities capital assets, net	<u>\$ 11,137</u>	<u>\$ 523</u>	<u>\$ -</u>	<u>\$ 11,660</u>

Compensated Absences

The criteria for determining sick leave benefits are derived from State laws. Employees earn sick leave at a rate of 0.06 per hour worked. Sick leave accrual is continuous, without limit. Upon separation or death, an employee will be paid for 25 percent of accumulated, unused sick leave up to a maximum of 320 hours.

Contingencies - Grants and Litigation

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal government. The grantor 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.

Management is not aware of any pending litigation.

Long-Term Obligations

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

	Balance			Balance	Due Within
	<u>12/31/21</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/22</u>	<u>One Year</u>
Governmental activities:					
Net pension liability	\$ 88,195	\$ -	\$ (7,378)	\$ 80,817	\$ -
Compensated absences	<u>4,221</u>	<u>-</u>	<u>(255)</u>	<u>3,966</u>	<u>-</u>
Total governmental activities	<u>\$ 92,416</u>	<u>\$ -</u>	<u>\$ (7,633)</u>	<u>\$ 84,783</u>	<u>\$ -</u>

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
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NOTE 23 - CITY OF SALEM HEALTH DISTRICT - (Continued)

Defined Benefit Pension Plans

The District participates in the Ohio Public Employees Retirement System (OPERS). See Note 13 for a description of the pension plans. The District's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$21,084 for 2022. Of this amount, \$2,472 is reported as a liability.

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

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

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

	OPERS - Traditional	OPERS - Combined	Total
Proportion of the net pension liability/asset prior measurement date	0.00059559%	0.00127248%	
Proportion of the net pension liability/asset current measurement date	<u>0.00092889%</u>	<u>0.00165698%</u>	
Change in proportionate share	<u>0.00033330%</u>	<u>0.00038450%</u>	
Proportionate share of the net pension liability	\$ 80,817	\$ -	\$ 80,817
Proportionate share of the net pension (asset)	-	(6,529)	(6,529)
Pension expense	5,320	(236)	5,084

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 23 - CITY OF SALEM HEALTH DISTRICT - (Continued)

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

	OPERS - Traditional	OPERS - Combined	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ 4,120	\$ 41	\$ 4,161
Changes of assumptions	10,106	328	10,434
Changes in employer's proportionate percentage/ difference between employer contributions	41,439	-	41,439
Contributions subsequent to the measurement date	20,135	949	21,084
Total deferred outflows of resources	<u>\$ 75,800</u>	<u>\$ 1,318</u>	<u>\$ 77,118</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 1,773	\$ 730	\$ 2,503
Net difference between projected and actual earnings on pension plan investments	96,129	1,400	97,529
Changes in employer's proportionate percentage/ difference between employer contributions	454	-	454
Total deferred inflows of resources	<u>\$ 98,356</u>	<u>\$ 2,130</u>	<u>\$ 100,486</u>

\$21,084 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of/increase to the net pension liability/asset in the year ending December 31, 2023.

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 23 - CITY OF SALEM HEALTH DISTRICT - (Continued)

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

Year Ending December 31:	OPERS - Traditional	OPERS - Combined	Total
2023	\$ (6,110)	\$ (429)	\$ (6,539)
2024	(16,782)	(593)	(17,375)
2025	(11,809)	(389)	(12,198)
2026	(7,990)	(287)	(8,277)
2027	-	(38)	(38)
Thereafter	-	(25)	(25)
Total	\$ (42,691)	\$ (1,761)	\$ (44,452)

Sensitivity of the District's Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate

- The following table presents the proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 6.90%, as well as what the proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.90%) or one-percentage-point higher (7.90%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 213,078	\$ 80,817	\$ (29,241)
Combined Plan	(4,871)	(6,529)	(7,821)

Defined Benefit OPEB Plans

See Note 14 for a description of the OPEB plans. The District's contractually required contribution was \$0 for 2022.

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

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

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 23 - CITY OF SALEM HEALTH DISTRICT - (Continued)

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

	OPERS
Proportion of the net OPEB liability/asset prior measurement date	0.00060753%
Proportion of the net OPEB liability/asset current measurement date	<u>0.00095843%</u>
Change in proportionate share	<u>0.00035090%</u>
Proportionate share of the net OPEB (asset)	\$ (30,019)
OPEB expense	10,164

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

	OPERS
Deferred outflows of resources	
Changes in employer's proportionate percentage/ difference between employer contributions	\$ 6,639
Total deferred outflows of resources	<u>\$ 6,639</u>

	OPERS
Deferred inflows of resources	
Differences between expected and actual experience	\$ 4,554
Net difference between projected and actual earnings on OPEB plan investments	14,311
Changes of assumptions	12,152
Total deferred inflows of resources	<u>\$ 31,017</u>

CITY OF SALEM, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT’S COMPILATION REPORT)

NOTE 23 - CITY OF SALEM HEALTH DISTRICT - (Continued)

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

	OPERS
Year Ending December 31:	
2023	\$ (14,940)
2024	(5,167)
2025	(2,578)
2026	(1,693)
Total	\$ (24,378)

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 17,654	\$ 30,019	\$ 40,283

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

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

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
District's proportionate share of the net OPEB asset	\$ 30,344	\$ 30,019	\$ 29,635

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SALEM, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.02034900%	0.01925741%	0.01947178%	0.02074636%
City's proportionate share of the net pension liability	\$ 1,689,627	\$ 2,851,602	\$ 3,848,728	\$ 5,682,006
City's covered payroll	\$ 2,866,621	\$ 2,710,314	\$ 2,740,507	\$ 2,801,307
City's proportionate share of the net pension liability as a percentage of its covered payroll	58.94%	105.21%	140.44%	202.83%
Plan fiduciary net position as a percentage of the total pension liability	96.62%	86.88%	82.17%	74.70%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.03629900%	0.04114352%	0.03259782%	0.03348052%
City's proportionate share of the net pension asset	\$ 136,492	\$ 118,767	\$ 67,974	\$ 37,440
City's covered payroll	\$ 160,521	\$ 181,321	\$ 145,114	\$ 143,193
City's proportionate share of the net pension asset as a percentage of its covered payroll	85.03%	65.50%	46.84%	26.15%
Plan fiduciary net position as a percentage of the total pension liability	169.88%	157.67%	145.28%	126.64%

Note: Information prior to 2014 for the traditional plan and 2018 for the combined plan was not available. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2018	2017	2016	2015	2014
0.02037582%	0.02035300%	0.02139100%	0.02084400%	0.02084400%
\$ 3,295,434	\$ 4,621,821	\$ 3,705,192	\$ 2,514,019	\$ 2,457,236
\$ 2,775,923	\$ 2,631,075	\$ 2,662,293	\$ 2,555,433	\$ 2,389,663
118.71%	175.66%	139.17%	98.38%	102.83%
84.66%	77.25%	81.08%	86.45%	86.36%

0.02903113%

\$ 40,743

\$ 122,569

33.24%

137.28%

CITY OF SALEM, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability	0.10486930%	0.09999120%	0.09900400%	0.09947600%
City's proportionate share of the net pension liability	\$ 6,551,627	\$ 6,816,489	\$ 6,669,437	\$ 8,119,869
City's covered payroll	\$ 2,701,085	\$ 2,470,743	\$ 2,370,914	\$ 2,268,909
City's proportionate share of the net pension liability as a percentage of its covered payroll	242.56%	275.89%	281.30%	357.88%
Plan fiduciary net position as a percentage of the total pension liability	75.03%	70.65%	69.89%	63.07%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2018	2017	2016	2015	2014
0.09949100%	0.09687400%	0.10044400%	0.09727560%	0.09727560%
\$ 6,106,211	\$ 6,135,900	\$ 6,461,633	\$ 5,039,282	\$ 4,737,627
\$ 2,195,764	\$ 2,099,783	\$ 2,047,305	\$ 1,934,895	\$ 1,828,582
278.09%	292.22%	315.62%	260.44%	259.09%
70.91%	68.36%	66.77%	72.20%	73.00%

CITY OF SALEM, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 420,940	\$ 401,327	\$ 379,444	\$ 383,671
Contributions in relation to the contractually required contribution	<u>(420,940)</u>	<u>(401,327)</u>	<u>(379,444)</u>	<u>(383,671)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,006,714	\$ 2,866,621	\$ 2,710,314	\$ 2,740,507
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 19,850	\$ 22,473	\$ 25,385	\$ 20,316
Contributions in relation to the contractually required contribution	<u>(19,850)</u>	<u>(22,473)</u>	<u>(25,385)</u>	<u>(20,316)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 141,786	\$ 160,521	\$ 181,321	\$ 145,114
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 392,183	\$ 360,870	\$ 315,729	\$ 319,475	\$ 306,652	\$ 310,656
<u>(392,183)</u>	<u>(360,870)</u>	<u>(315,729)</u>	<u>(319,475)</u>	<u>(306,652)</u>	<u>(310,656)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,801,307	\$ 2,775,923	\$ 2,631,075	\$ 2,662,292	\$ 2,555,433	\$ 2,389,662
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
\$ 20,667	\$ 15,934	\$ 14,669	\$ 15,172	\$ 14,397	\$ 14,111
<u>(20,667)</u>	<u>(15,934)</u>	<u>(14,669)</u>	<u>(15,172)</u>	<u>(14,397)</u>	<u>(14,111)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 143,222	\$ 122,569	\$ 122,242	\$ 126,433	\$ 119,975	\$ 108,546
14.43%	13.00%	12.00%	12.00%	12.00%	13.00%

CITY OF SALEM, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 573,964	\$ 565,801	\$ 518,197	\$ 497,303
Contributions in relation to the contractually required contribution	<u>(573,964)</u>	<u>(565,801)</u>	<u>(518,197)</u>	<u>(497,303)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,748,430	\$ 2,701,085	\$ 2,470,743	\$ 2,370,914
Contributions as a percentage of covered payroll	20.88%	20.95%	20.97%	20.98%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2018	2017	2016	2015	2014	2013
\$ 476,024	\$ 459,876	\$ 440,794	\$ 430,900	\$ 407,092	\$ 327,489
(476,024)	(459,876)	(440,794)	(430,900)	(407,092)	(327,489)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,268,909	\$ 2,195,764	\$ 2,099,783	\$ 2,047,305	\$ 1,934,895	\$ 1,828,582
20.98%	20.94%	20.99%	21.05%	21.04%	17.91%

CITY OF SALEM, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's proportion of the net OPEB liability/asset	0.02099600%	0.01964347%	0.01943589%	0.02057467%
City's proportionate share of the net OPEB liability/(asset)	\$ (627,607)	\$ (349,964)	\$ 2,684,600	\$ 2,682,451
City's covered payroll	\$ 3,177,892	\$ 2,968,810	\$ 2,937,296	\$ 2,974,325
City's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	19.75%	11.79%	91.40%	90.19%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	128.23%	115.57%	47.80%	46.33%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>
0.01999170%	0.02029000%
\$ 2,238,094	\$ 2,049,359
\$ 2,919,567	\$ 2,804,067
76.66%	73.09%
54.14%	54.04%

CITY OF SALEM, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's proportion of the net OPEB liability	0.10486930%	0.09999120%	0.09900400%	0.09947600%
City's proportionate share of the net OPEB liability	\$ 1,149,458	\$ 1,059,424	\$ 977,935	\$ 905,882
City's covered payroll	\$ 2,701,085	\$ 2,470,743	\$ 2,370,914	\$ 2,268,909
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	42.56%	42.88%	41.25%	39.93%
Plan fiduciary net position as a percentage of the total OPEB liability	46.86%	45.42%	47.08%	46.57%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>
0.09949100%	0.09687400%
\$ 5,637,020	\$ 4,598,391
\$ 2,195,764	\$ 2,099,783
256.72%	218.99%
14.13%	15.96%

CITY OF SALEM, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ -	\$ 6,030	\$ 3,087	\$ 2,067
Contributions in relation to the contractually required contribution	<u>-</u>	<u>(6,030)</u>	<u>(3,087)</u>	<u>(2,067)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,006,714	\$ 3,177,892	\$ 2,968,810	\$ 2,937,296
Contributions as a percentage of covered payroll	0.00%	0.19%	0.10%	0.07%

Note: Information prior to 2016 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 1,230	\$ 29,828	\$ 57,096
<u>(1,230)</u>	<u>(29,828)</u>	<u>(57,096)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,974,325	\$ 2,919,567	\$ 2,804,067
0.04%	1.02%	2.04%

CITY OF SALEM, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 13,742	\$ 13,506	\$ 12,353	\$ 11,854
Contributions in relation to the contractually required contribution	<u>(13,742)</u>	<u>(13,506)</u>	<u>(12,353)</u>	<u>(11,854)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,748,430	\$ 2,701,085	\$ 2,470,743	\$ 2,370,914
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

Note: Information prior to 2013 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 11,344	\$ 10,979	\$ 10,499	\$ 10,237	\$ 9,675	\$ 66,134
<u>(11,344)</u>	<u>(10,979)</u>	<u>(10,499)</u>	<u>(10,237)</u>	<u>(9,675)</u>	<u>(66,134)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,268,909	\$ 2,195,764	\$ 2,099,783	\$ 2,047,305	\$ 1,934,895	\$ 1,828,582
0.50%	0.50%	0.50%	0.50%	0.50%	3.62%

CITY OF SALEM, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms :

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

Changes in assumptions :

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

(Continued)

CITY OF SALEM, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

PENSION

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms :

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

Changes in assumptions :

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

(Continued)

CITY OF SALEM, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- There were no changes in benefit terms from the amounts reported for 2019.
- There were no changes in benefit terms from the amounts reported for 2020.
- For 2021, the following were the most significant changes in benefit terms since the prior measurement date: the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care Plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.
- There were no changes in benefit terms from the amounts reported for 2022.

Changes in assumptions :

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

(Continued)

CITY OF SALEM, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022
(SEE ACCOUNTANT'S COMPILATION REPORT)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms :

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

Changes in assumptions :

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