bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF WATERVILLE
LUCAS COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2023

One East Campus View Blvd. Suite 300 • Columbus, OH 43235 • (614) 389-5775 • FAX (614) 467-3920
PO Box 875 • 129 Pinckney Street • Circleville, OH 43113 • (740) 474-5210 • FAX (740) 474-7319
PO Box 325 • 618 Tenth Street , Suite 103 • Huntington, WV 25708 • (304) 521-2648 • FAX (888) 900-1264

www.bhmcpagroup.com

OHIO AUDITOR OF STATE
KEITH FABER

65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

City Council
City of Waterville
25 North Second Street
Waterville, Ohio 43566

We have reviewed the *Independent Auditor's Report* of the City of Waterville, Lucas County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2023 through December 31, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

December 13, 2024

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Lucas County

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

City of Waterville
Lucas County
25 North Second Street
Waterville, Ohio 43566

To the Members of Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waterville, Lucas County, Ohio (City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waterville, Lucas County, Ohio as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Fire Levy Funds for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2024, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BHM CPA Group

BHM CPA Group, Inc.
Circleville, Ohio
June 27, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(UNAUDITED)

The management's discussion and analysis of the City of Waterville's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2023. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2023 are as follows:

- The total net position of the City increased $2,203,726. Net position of governmental activities increased $2,176,725 or 9.47% over 2022's net position and net position of business-type activities increased $27,001 or 0.25% from 2022's net position.

- General revenues accounted for $8,089,167 or 81.26% of total governmental activities revenue. Program specific revenues accounted for $1,865,739 or 18.74% of total governmental activities revenue of $9,954,906.

- The City had $7,735,476 in expenses related to governmental activities; $1,865,739 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of $5,869,737 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of $8,089,167.

- The general fund had revenues of $6,135,645 in 2023. The expenditures and other financing uses of the general fund totaled $5,449,473 in 2023. The net increase in fund balance for the general fund was $686,172 or 12.34%.

- The fire levy fund had revenues and other financing sources of $1,183,870 in 2023. The expenditures of the fire levy fund totaled $1,241,896 in 2023. The net decrease in fund balance for the fire levy fund was $58,026 or 46.89%.

- The various improvements fund had revenues and other financing sources of $2,171,561 in 2023. The expenditures of the various improvements fund totaled $1,840,885 in 2023. The net increase in fund balance for the various improvements fund was $330,676 or 29.12%.

- Net position for the business-type activities, which are made up of the water and sewer enterprise funds, increased in 2023 by $27,001.

- In the general fund, the actual revenues and other financing sources came in $59,195 more than the final budgeted revenues and other financing sources and actual expenditures and other financing uses were $506,929 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues and other financing sources were increased $567,519 from the original budget to the final budget. Total budgeted expenditures and other financing uses were increased $540,534 from the original budget to the final budget.

The Basic Financial Statements

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

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2023?" The statement of net position and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Governmental activities - Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including Federal and State grants and other shared revenues.

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

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The City has no 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 focuses on the City's most significant funds.

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, fire levy special revenue fund and the various improvements capital projects fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer functions. All of the City's enterprise funds are considered major funds.

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

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Government-Wide Financial Analysis

The table below provides a summary of the City's assets, deferred inflows of resources, liabilities, deferred outflows of resources and net position at December 31, 2023 and 2022.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	$ 13,804,728	$ 13,049,756	$ 3,058,888	$ 3,094,093	$ 16,863,616	$ 16,143,849
Capital assets, net	19,284,571	18,414,463	14,648,106	14,963,573	33,932,677	33,378,036
Total assets	33,089,299	31,464,219	17,706,994	18,057,666	50,796,293	49,521,885
Deferred outflows of resources						
Unamortized deferred charges	16,474	17,856	-	-	16,474	17,856
Pension	3,053,535	1,906,349	238,274	93,841	3,291,809	2,000,190
OPEB	468,126	366,432	38,225	6,386	506,351	372,818
Total deferred outflows of resources	3,538,135	2,290,637	276,499	100,227	3,814,634	2,390,864
Liabilities						
Current liabilities	455,180	962,677	256,507	180,332	711,687	1,143,009
Long-term liabilities:						
Due within one year	492,752	471,132	474,432	474,321	967,184	945,453
Net pension liability	5,926,823	3,093,138	549,261	181,344	6,476,084	3,274,482
Net OPEB liability	385,890	482,694	12,567	-	398,457	482,694
Other amounts	2,051,106	2,427,809	5,699,408	6,084,500	7,750,514	8,512,309
Total liabilities	9,311,751	7,437,4 50	6,992,175	6,920,497	16,303,926	14,357,947
Deferred inflows of resources						
Property taxes	1,280,150	1,286,150	-	-	1,280,150	1,286,150
Leases	65,781	101,662	-	-	65,781	101,662
Pension	375,135	1,563,538	24,780	229,377	399,915	1,792,915
OPEB	430,573	378,737	4,434	72,916	435,007	451,653
Total deferred inflows of resources	2,151,639	3,330,087	29,214	302,293	2,180,853	3,632,380
Net position						
Net investment in capital assets	16,775,504	15,411,082	10,316,622	10,506,312	27,092,126	25,917,394
Restricted	3,237,162	2,860,974	17,095	-	3,254,257	2,860,974
Unrestricted	5,151,378	4,715,263	628,387	428,791	5,779,765	5,144,054
Total net position	$ 25,164,044	$ 22,987,319	$ 10,962,104	$ 10,935,103	$ 36,126,148	$ 33,922,422

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

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

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2023, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $36,126,148. At year-end, net position was $25,164,044 and $10,962,104 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 66.80% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and infrastructure (streets and water and sewer lines). The City's net investment in capital assets at December 31, 2023, was $16,775,504 and $10,316,622 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, $3,254,257, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position is a balance of $5,151,378

The net pension liability for the City increased $3,201,602, deferred outflow of resources related to pension increased $1,291,619 and deferred inflows of resources related to pension decreased $1,393,000. These changes were the result of changes at the pension system level for Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire (OP&F) Pension Fund. Primarily, net investment income on investments at the pension systems were negative for the 2022 measurement date that are used for the 2023 reporting. This caused a large decrease in their respective fiduciary net positions which was a drastic change from the previous year's large positive investment returns.

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The table below shows the changes in net position for 2023 and 2022.

Change in Net Position

	Governmental Activities 2023	Business-type Activities 2023	Governmental Activities 2022	Business-type Activities 2022	2023 Total	2022 Total
Revenues						
Program revenues:						
Charges for services	$ 932,059	$ 2,790,272	$ 752,565	$ 2,666,180	$ 3,722,331	$ 3,418,745
Operating grants and contributions	761,135	-	491,083	-	761,135	491,083
Capital grants and contributions	172,545	-	1,079,090	64,380	172,545	1,143,470
Total program revenues	1,865,739	2,790,272	2,322,738	2,730,560	4,656,011	5,053,298
General revenues:						
Property taxes	1,655,695	-	1,594,923	-	1,655,695	1,594,923
Income taxes	5,366,138	-	4,904,220	-	5,366,138	4,904,220
Other taxes	146,633	-	159,577	-	146,633	159,577
Payments in lieu of taxes	230,571	-	183,832	-	230,571	183,832
Unrestricted grants and entitlements	432,348	-	460,969	-	432,348	460,969
Investment earnings	170,895	54,734	(26,014)	(3,928)	225,629	(29,942)
Miscellaneous	86,887	8,268	63,615	14,426	95,155	78,041
Total general revenues	8,089,167	63,002	7,341,122	10,498	8,152,169	7,351,620
Total revenues	9,954,906	2,853,274	9,663,860	2,741,058	12,808,180	12,404,918
Expenses:						
General government	1,766,546	-	1,337,910	-	1,766,546	1,337,910
Security of persons and property						
Police	1,963,354	-	1,539,755	-	1,963,354	1,539,755
Fire	2,004,032	-	1,702,945	-	2,004,032	1,702,945
Other	119,018	-	120,373	-	119,018	120,373
Leisure time activity	185,459	-	256,067	-	185,459	256,067
Community environment	194,704	-	182,905	-	194,704	182,905
Transportation	1,110,880	-	1,024,063	-	1,110,880	1,024,063
Basic utility services	367,377	-	346,874	-	367,377	346,874
Interest and fiscal charges	24,106	-	26,823	-	24,106	26,823
Water	-	1,786,382	-	1,652,193	1,786,382	1,652,193
Sewer	-	1,082,596	-	867,762	1,082,596	867,762
Total expenses	7,735,476	2,868,978	6,537,715	2,519,955	10,604,454	9,057,670
Increase in net position before transfers	2,219,430	(15,704)	3,126,145	221,103	2,203,726	3,347,248
Transfers	(42,705)	42,705	(19,000)	19,000	-	-
Change in net position	2,176,725	27,001	3,107,145	240,103	2,203,726	3,347,248
Net position at beginning of year	22,987,319	10,935,103	19,880,174	10,695,000	33,922,422	30,575,174
Net position at end of year	$ 25,164,044	$ 10,962,104	$ 22,987,319	$ 10,935,103	$ 36,126,148	$ 33,922,422

Governmental Activities

Governmental activities net position increased $2,176,725 in 2023.

Revenues of governmental activities increased $291,046 or 3.01% over 2022. The largest increase was in income tax revenues which increased $461,918 over 2022. This was due to a low unemployment rate and increased income of taxpayers.

The most significant decrease in revenues was in capital grants and contributions, which decreased $906,545. The was primarily due to grant revenue recognized in 2022 for the Anthony Wayne Trail intersection improvement project. In 2023, the City recognized capital grant and contribution revenue from the Ohio Department of Natural Resources (ODNR) for parking lot improvements at Prairie Trail and Stitt Parks. The City also recognized grants from the Toledo Area Regional Transit Authority (TARTA) for street paving.

Overall, expenses of the governmental activities increased $1,197,761 or 18.32%. This increase is primarily the result of an increase in pension expense. Pension expense increased $699,515. This increase was the result of an increase in expenses incurred at the pension system level for Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire (OP&F) Pension Fund due to a decrease in net investment income on investments compared to previous years.

Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of $4,086,404, which accounted for 52.83% of the total governmental activities expenses of the City. These expenses were partially funded by $429,524 in direct charges to users of the services and $30,330 in operating grants and contributions. Security of persons and property expenses increased $723,331 over 2022.

General government expenses totaled $1,766,546, which was partially funded by $87,395 in direct charges to users of the services and $19,407 in operating grants and contributions.

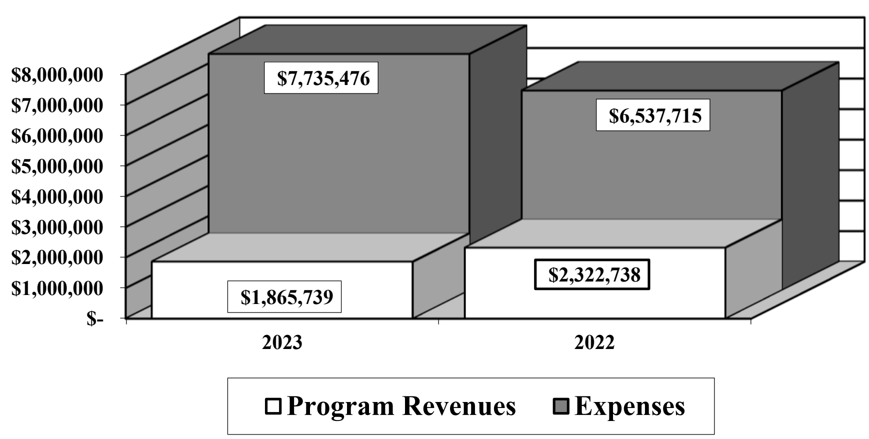
Transportation expenses totaled $1,110,880, which was funded by $414,237 in operating grants and contributions and capital grants and contributions of $122,545.

General revenues totaled $8,089,167 and amounted to 81.26% of total governmental revenues. These revenues primarily consist of property and income tax revenue of $7,021,833. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue and property tax reimbursements, making up $432,348.

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

The following graph shows program revenues and total expenses of the governmental activities for 2023 and 2022.

Governmental Activities – Program Revenues vs. Total Expenses



The following table shows the cost of services and net cost of services of the governmental activities for 2023 and 2022.

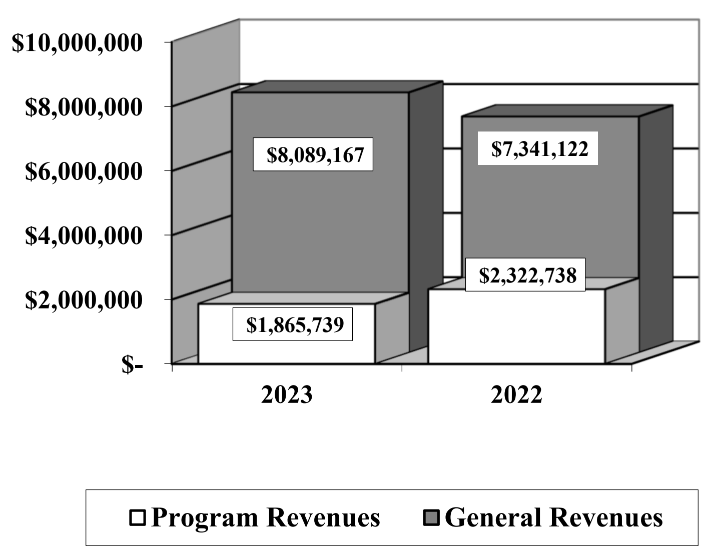
Governmental Activities

	Total Cost of Services 2023	Net Cost of Services 2023	Total Cost of Services 2022	Net Cost of Services 2022
Program expenses:				
General government	$ 1,766,546	$ 1,659,744	$ 1,337,910	$ 1,266,281
Security of persons and property				
Police	1,963,354	1,961,341	1,539,755	1,526,832
Fire	2,004,032	1,546,191	1,702,945	1,377,530
Other	119,018	119,018	120,373	120,373
Leisure time activity	185,459	79,908	256,067	(145,729)
Community environment	194,704	189,040	182,905	167,112
Transportation	1,110,880	574,098	1,024,063	(82,798)
Basic utility services	367,377	(283,709)	346,874	(41,447)
Interest and fiscal charges	24,106	24,106	26,823	26,823
Total	$ 7,735,476	$ 5,869,737	$ 6,537,715	$ 4,214,977

The dependence upon general revenues for governmental activities is apparent, with 75.88% and 64.47% of expenses supported through taxes and other general revenues for 2023 and 2022, respectively.

The following graph shows general and program revenues of governmental activities for 2023 and 2022.

Governmental Activities – General and Program Revenues

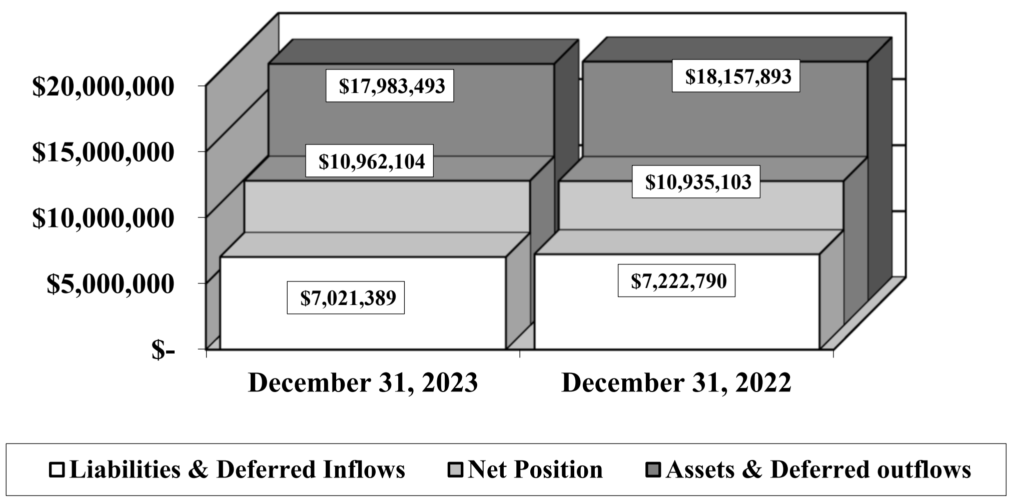


Business-Type Activities

Business-type activities include the water and sewer enterprise funds. These programs had program revenues of $2,790,272, general revenues of $63,002, transfers in of $42,705 and expenses of $2,868,978 for 2023. The water fund had expenses of $1,786,382, which were entirely funded by user charges for services of $1,897,890. The sewer fund had expenses of $1,082,596, which were 82.43% funded by user charges for services of $892,382.

The graph below shows the business-type activities assets, deferred outflows, liabilities, deferred inflows and net position at December 31, 2023 and 2022.

Net Position in Business-Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted 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 $8,552,263, which is $1,173,752 greater than the previous year's fund balance of $7,378,511. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2022 for all major and nonmajor governmental funds.

	Fund Balances 12/31/23	Fund Balances 12/31/22	Change
Major funds:			
General	$ 6,245,467	$ 5,559,295	$ 686,172
Fire levy	65,727	123,753	(58,026)
Various improvements	1,466,249	1,135,573	330,676
Nonmajor governmental funds	774,820	559,890	214,930
Total	$ 8,552,263	$ 7,378,511	$ 1,173,752

General Fund

The City's general fund balance increased $686,172, primarily due to an increase in income tax revenue during 2023. The table that follows assists in illustrating the revenues of the general fund.

	2023 Amount	2022 Amount	Percentage Change
Revenues:			
Taxes	$ 4,625,127	$ 4,196,827	10.21 %
Charges for services	756,334	647,819	16.75 %
Licenses and permits	17,719	17,906	(1.04) %
Fines and forfeitures	14,079	11,117	26.64 %
Intergovernmental	447,557	427,675	4.65 %
Investment income	130,587	(22,739)	674.29 %
Other	144,242	124,364	15.98 %
Total	$ 6,135,645	$ 5,402,969	13.56 %

Tax revenue represents 75.38% of all general fund revenue. Tax revenue increased 10.21% from 2022 due to a low unemployment rate increased income of taxpayers. Charges for services revenue increased 16.75% from 2022. This was primarily due to an increase in collections for EMS charges. Investment income increased because of the increase in the interest rates earned on the City's investments.

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

	2023 Amount	2022 Amount	Percentage Change
Expenditures:			
General government	$ 1,401,246	$ 1,220,437	14.82 %
Security of persons and property			
Police	1,552,638	1,415,995	9.65 %
Fire	313,538	274,299	14.31 %
Other	109,133	115,774	(5.74) %
Community environment	28,741	37,035	(22.40) %
Leisure-time activity	57,606	24,900	131.35 %
Basic utility services	371,571	343,475	8.18 %
Total	$ 3,834,473	$ 3,431,915	11.73 %

Overall, general fund expenditures increased 11.73%. The primary reason for the increase was an increase in wages and benefits and the effect of inflation during 2023.

Fire Levy Fund

The fire levy fund had revenues and other financing sources of $1,183,870 in 2023. The expenditures of the fire levy fund totaled $1,241,896 in 2023. The December 31, 2023 fund balance totaled $65,727, which was a decrease of $58,026 from the fund balance at December 31, 2022.

Various Improvement Fund

The various improvements fund had revenues and other financing sources of $2,171,561 in 2023. The expenditures of the various improvements fund totaled $1,840,885 in 2023. The City uses this fund for capital purchases and improvements. Significant capital purchases during 2023 included various street resurfacing projects, the Anthony Wayne Trail intersection improvement project, a new chest compression system for EMS, and two new police vehicles with equipment. The net increase in fund balance for the various improvements fund was $330,676 or 29.12%.

Budgeting Highlights - General Fund

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.

In the general fund, the actual revenues and other financing sources came in greater than the final budgeted revenues and other financing sources by $59,195 and actual expenditures and other financing uses were $506,929 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues and other financing sources were increased $567,519 from the original budget to the final budget. Original budgeted expenditures and other financing uses were increased by $540,534 in the final budget.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail.

The City's proprietary funds, consisting of the water and sewer enterprise funds reported a combined increase in net position of $27,001.

Capital Assets and Debt Administration

Capital Assets

At the end of 2023 the City had $33,932,677 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, land improvements, furniture, fixtures and equipment, vehicles, streets and water, sewer and storm sewer lines. Of this total, $19,284,571 was reported in governmental activities and $14,648,106 was reported in business-type activities. See Note 9 to the basic financial statements for more detail on the City's capital assets. The following table shows 2023 balances compared to 2022.

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Capital Assets at December 31
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	$ 1,939,933	$ 1,939,933	$ 33,643	$ 33,643	$ 1,973,576	$ 1,973,576
Construction-in-progress	1,682,220	1,347,589	305,176	530,314	1,987,396	1,877,903
Land improvements	688,406	736,549	-	-	688,406	736,549
Buildings and improvements	1,007,148	1,022,471	62,688	65,091	1,069,836	1,087,562
Furniture, fixtures and equipment	801,717	814,436	712,223	288,305	1,513,940	1,102,741
Vehicles	2,867,297	2,910,349	27,922	32,458	2,895,219	2,942,807
Streets	10,297,850	9,643,136	-	-	10,297,850	9,643,136
Water, sewer and storm sewer lines	-	-	13,506,454	14,013,762	13,506,454	14,013,762
Totals	$ 19,284,571	$ 18,414,463	$ 14,648,106	$ 14,963,573	$ 33,932,677	$ 33,378,036

The City's largest governmental capital asset category is for streets. These items are immovable and of value only to the City, however, the annual cost of purchasing and improving these items is quite significant.

The City's largest business-type capital asset category is water, sewer and storm water lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of this item represents approximately 92.21% of the City's total business-type capital assets.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2023 and 2022:

	Governmental Activities	
	2023	2022
General obligation bonds	$ 2,275,000	$ 2,620,000
OPWC loan	55,405	67,717
Financed purchase obligation	-	7,400
Net pension liability	5,926,823	3,093,138
Net OPEB liability	385,890	482,694
Compensated absences	178,322	164,923
Total long-term obligations	$ 8,821,440	$ 6,435,872

	Business-type Activities	
	2023	2022
General obligation bonds	$ 3,855,000	$ 4,075,000
OWDA loan	19,329	21,801
OPWC loans	374,080	347,979
Due to Lucas County	1,872,375	2,054,051
Net pension liability	549,261	181,344
Net OPEB liability	12,567	-
Compensated absences	41,234	47,509
Total long-term obligations	$ 6,723,846	$ 6,727,684

The City had one new OPWC loan in business-type activities for $65,864. This was related to the water meter replacement program.

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

Economic Conditions and Outlook

2023 saw an increase in income tax revenue as unemployment remained low and the income of taxpayers grew.

Some of the City's significant accomplishments during 2023 are listed below:

• Total income tax revenue on a modified accrual basis was $5,313,417. Of this amount $3,985,062 was the general fund's portion.

• The Canal Road waterline replacement project continued with approximately $243,000 spent from the water fund and approximately $301,000 spent from American Rescue Plan Act (ARPA) funding.

• The City purchased two new police vehicles with equipment for approximately $131,000.

• The City began a project to improve parking at Prairie Trail and Stitt Parks. Approximately $217,000 is included in construction in progress at year end.

• The City continued a project to improve Parkers Square Memorial Park. Approximately $942,000 is included in construction in progress at year end.

• The City completed the Anthony Wayne Trail intersection improvement project. The total project was approximately $773,000.

• The City completed several paving projects on the City's streets.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, 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 Mr. Mark S. Williams, CFE, Finance Director, City of Waterville, 25 North Second Street, Waterville, Ohio 43566 at mwilliams@waterville.org or by calling (419) 878-8100.

CITY OF WATERVILLE

STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	$ 8,338,096	$ 2,757,596	$ 11,095,692
Receivables:			
Income taxes	1,400,276	-	1,400,276
Property taxes	2,473,786	-	2,473,786
Accounts	200,326	222,524	422,850
Accrued interest	16,121	3,271	19,392
Due from other governments	1,157,882	-	1,157,882
Other local taxes	5,580	-	5,580
Leases	72,831	-	72,831
Materials and supplies inventory	71,442	52,148	123,590
Prepayments	33,518	6,254	39,772
Net pension asset	34,870	17,095	51,965
Capital assets:			
Nondepreciable capital assets	3,622,153	338,819	3,960,972
Depreciable capital assets, net	15,662,418	14,309,287	29,971,705
Total capital assets, net	19,284,571	14,648,106	33,932,677
Total assets	33,089,299	17,706,994	50,796,293
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	16,474	-	16,474
Pension	3,053,535	238,274	3,291,809
OPEB	468,126	38,225	506,351
Total deferred outflows of resources	3,538,135	276,499	3,814,634
Liabilities:			
Accounts payable	94,306	18,222	112,528
Contracts payable	160,005	71,253	231,258
Accrued wages and benefits payable	56,127	6,021	62,148
Due to other governments	21,199	155,973	177,172
Accrued interest payable	1,937	5,038	6,975
Unearned revenue	121,606	-	121,606
Long-term liabilities:			
Due within one year	492,752	474,432	967,184
Due in greater than one year:			
Net pension liability	5,926,823	549,261	6,476,084
Net OPEB liability	385,890	12,567	398,457
Other amounts due in more than one year	2,051,106	5,699,408	7,750,514
Total liabilities	9,311,751	6,992,175	16,303,926
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	1,280,150	-	1,280,150
Leases	65,781	-	65,781
Pension	375,135	24,780	399,915
OPEB	430,573	4,434	435,007
Total deferred inflows of resources	2,151,639	29,214	2,180,853
Net position:			
Net investment in capital assets	16,775,504	10,316,622	27,092,126
Restricted for:			
Capital projects	2,397,226	-	2,397,226
Street construction, maintenance and repair	500,737	-	500,737
Parks and green space improvement	250,409	-	250,409
Pension	34,870	17,095	51,965
Other purposes	53,920	-	53,920
Unrestricted	5,151,378	628,387	5,779,765
Total net position	$ 25,164,044	$ 10,962,104	$ 36,126,148

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF WATERVILLE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

		Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	$ 1,766,546	$ 87,395	$ 19,407	$ -
Security of persons and property:				
Police	1,963,354	2,013	-	-
Fire	2,004,032	427,511	30,330	-
Other	119,018	-	-	-
Leisure time activity	185,459	55,551	-	50,000
Transportation	1,110,880	-	414,237	122,545
Community environment	194,704	5,664	-	-
Basic utility services	367,377	353,925	297,161	-
Interest and fiscal charges	24,106	-	-	-
Total governmental activities	7,735,476	932,059	761,135	172,545
Business-type activities:				
Sewer	1,082,596	892,382	-	-
Water	1,786,382	1,897,890	-	-
Total business-type activities	2,868,978	2,790,272	-	-
Total primary government	$ 10,604,454	$ 3,722,331	$ 761,135	$ 172,545

General revenues:
Property taxes levied for:
General purposes
Police pension
Fire operations
Income taxes levied for:
General purposes
Capital purposes
Other local taxes:
Franchise taxes
Permissive motor vehicle license tax
Payments in lieu of taxes
Grants and entitlements not restricted to specific programs
Investment earnings
Miscellaneous

Total general revenues

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		
Governmental Activities	Business-type Activities	Total
$ (1,659,744)	$ -	$ (1,659,744)
(1,961,341)	-	(1,961,341)
(1,546,191)	-	(1,546,191)
(119,018)	-	(119,018)
(79,908)	-	(79,908)
(574,098)	-	(574,098)
(189,040)	-	(189,040)
283,709	-	283,709
(24,106)	-	(24,106)
(5,869,737)	-	(5,869,737)
-	(190,214)	(190,214)
-	111,508	111,508
-	(78,706)	(78,706)
(5,869,737)	(78,706)	(5,948,443)
825,419	-	825,419
72,560	-	72,560
757,716	-	757,716
4,024,603	-	4,024,603
1,341,535	-	1,341,535
83,173	-	83,173
63,460	-	63,460
230,571	-	230,571
432,348	-	432,348
170,895	54,734	225,629
86,887	8,268	95,155
8,089,167	63,002	8,152,169
(42,705)	42,705	-
2,176,725	27,001	2,203,726
22,987,319	10,935,103	33,922,422
$ 25,164,044	$ 10,962,104	$ 36,126,148

CITY OF WATERVILLE

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General	Fire Levy	Various Improvements	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	$ 5,873,670	$ 91,235	$ 1,485,001	$ 888,190	$ 8,338,096
Receivables:					
Income taxes	1,050,207	-	350,069	-	1,400,276
Property taxes	1,230,439	1,137,158	-	106,189	2,473,786
Accounts	180,328	-	-	19,998	200,326
Accrued interest	12,285	-	3,097	739	16,121
Due from other governments	199,316	3,662	509,055	445,849	1,157,882
Other local taxes	-	-	-	5,580	5,580
Leases	72,831	-	-	-	72,831
Materials and supplies inventory	36,903	-	-	34,539	71,442
Prepayments	26,932	-	-	6,586	33,518
Total assets	$ 8,682,911	$ 1,232,055	$ 2,347,222	$ 1,507,670	$ 13,769,858
Liabilities:					
Accounts payable	$ 64,142	$ -	$ 27,796	$ 2,368	$ 94,306
Contracts payable	-	-	80,268	79,737	160,005
Accrued wages and benefits payable	32,805	19,462	-	3,860	56,127
Due to other governments	14,193	6,046	-	960	21,199
Unearned revenue	-	-	-	121,606	121,606
Total liabilities	111,140	25,508	108,064	208,531	453,243
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	634,166	592,676	-	53,308	1,280,150
Delinquent property tax revenue not available	596,273	544,482	-	52,881	1,193,636
Accrued interest not available	8,525	-	2,136	509	11,170
Miscellaneous revenue not available	60,777	-	-	11,887	72,664
Income tax revenue not available	785,155	-	261,718	-	1,046,873
Intergovernmental revenue not available	175,627	3,662	509,055	405,734	1,094,078
Leases	65,781	-	-	-	65,781
Total deferred inflows of resources	2,326,304	1,140,820	772,909	524,319	4,764,352
Fund balances:					
Nonspendable	63,835	-	-	41,125	104,960
Restricted	-	65,727	1,466,249	585,982	2,117,958
Committed	65,714	-	-	147,713	213,427
Assigned	540,992	-	-	-	540,992
Unassigned	5,574,926	-	-	-	5,574,926
Total fund balances	6,245,467	65,727	1,466,249	774,820	8,552,263
Total liabilities, deferred inflows of resources and fund balances	$ 8,682,911	$ 1,232,055	$ 2,347,222	$ 1,507,670	$ 13,769,858

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF WATERVILLE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2023

Total governmental fund balances		$ 8,552,263
Amounts reported for governmental activities on the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		19,284,571
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	$ 1,046,873	
Property taxes receivable	1,193,636	
Accounts receivable	72,664	
Intergovernmental receivable	1,094,078	
Accrued interest receivable	11,170	
Total		3,418,421
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(1,937)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.		16,474
Unamortized premiums on bond issuances are not recognized in the funds.		(35,131)
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	34,870	
Deferred outflows of resources	3,053,535	
Deferred inflows of resources	(375,135)	
Net pension liability	(5,926,823)	
Total		(3,213,553)
The net OPEB liability is not due and payable in the current period, therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows of resources	468,126	
Deferred inflows of resources	(430,573)	
Net OPEB liability	(385,890)	
Total		(348,337)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(178,322)	
General obligation bonds payable	(2,275,000)	
Loans payable	(55,405)	
Total		(2,508,727)
Net position of governmental activities		$ 25,164,044

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF WATERVILLE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	General	Fire Levy	Various Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:					
Income taxes	$ 3,985,062	$ -	$ 1,328,355	$ -	$ 5,313,417
Property taxes	640,065	586,526	-	56,508	1,283,099
Charges for services	756,334	-	-	1,680	758,014
Licenses and permits	17,719	-	-	92,984	110,703
Fines and forfeitures	14,079	-	-	2,277	16,356
Intergovernmental	447,557	7,344	342,171	725,432	1,522,504
Investment income	130,587	-	35,937	9,644	176,168
Rental income	55,551	-	-	-	55,551
Other local taxes	-	-	-	63,460	63,460
Payments in lieu of taxes	-	-	-	230,571	230,571
Other	88,691	-	40,098	11,748	140,537
Total revenues	6,135,645	593,870	1,746,561	1,194,304	9,670,380
Expenditures:					
Current:					
General government	1,401,246	-	110,564	249,978	1,761,788
Security of persons and property:					
Police	1,552,638	-	232,410	64,702	1,849,750
Fire	313,538	1,241,896	102,452	-	1,657,886
Other	109,133	-	5,648	-	114,781
Leisure time activity	57,606	-	-	509,695	567,301
Transportation	-	-	792,194	457,838	1,250,032
Community environment	28,741	-	206,125	-	234,866
Basic utility services	371,571	-	-	297,161	668,732
Debt service:					
Principal retirement	-	-	364,712	-	364,712
Interest and fiscal charges	-	-	26,780	-	26,780
Total expenditures	3,834,473	1,241,896	1,840,885	1,579,374	8,496,628
Excess (deficiency) of revenues over (under) expenditures	2,301,172	(648,026)	(94,324)	(385,070)	1,173,752
Other financing sources (uses):					
Transfers in	-	590,000	425,000	600,000	1,615,000
Transfers (out)	(1,615,000)	-	-	-	(1,615,000)
Total other financing sources (uses)	(1,615,000)	590,000	425,000	600,000	-
Net change in fund balances	686,172	(58,026)	330,676	214,930	1,173,752
Fund balances at beginning of year	5,559,295	123,753	1,135,573	559,890	7,378,511
Fund balances at end of year	$ 6,245,467	$ 65,727	$ 1,466,249	$ 774,820	$ 8,552,263

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF WATERVILLE

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, 2023

Net change in fund balances - total governmental funds			$	1,173,752
Amounts reported for governmental activities in the statement of activities are different because:				
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.				
Capital asset additions	$	1,778,777		
Current year depreciation		(908,669)		
Total				870,108
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.				
Income taxes		52,721		
Property taxes		372,596		
Intergovernmental revenues		(166,316)		
Investment income		4,567		
Other		20,958		
Total				284,526
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.				364,712
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due.				
Decrease in accrued interest payable		286		
Amortization of deferred amounts on refunding		(1,382)		
Amortization of bond premiums		3,770		
Total				2,674
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.				
Pension		412,084		
OPEB		9,000		
Total				421,084
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities.				
Pension		(931,344)		
OPEB		4,612		
Total				(926,732)
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.				(13,399)
Change in net position of governmental activities			$	2,176,725

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF WATERVILLE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
Income taxes	$ 3,501,350	$ 3,939,004	$ 3,956,777	$ 17,773
Property taxes	640,500	640,500	640,065	(435)
Charges for services	626,407	626,407	707,458	81,051
Licenses and permits	23,600	23,800	17,719	(6,081)
Fines and forfeitures	10,750	10,750	6,533	(4,217)
Intergovernmental	426,652	456,352	450,928	(5,424)
Investment income	25,000	92,000	102,646	10,646
Rental income	52,625	52,625	54,481	1,856
Other	91,700	124,665	88,691	(35,974)
Total revenues	5,398,584	5,966,103	6,025,298	59,195
Expenditures:				
Current:				
General government	1,471,506	1,674,409	1,435,049	239,360
Security of persons and property:				
Police	1,617,238	1,675,054	1,563,172	111,882
Fire	348,087	367,402	315,429	51,973
Other	116,950	125,950	110,235	15,715
Leisure time activity	26,400	58,400	58,400	-
Community environment	93,576	99,576	37,358	62,218
Basic utility services	381,627	395,127	369,346	25,781
Total expenditures	4,055,384	4,395,918	3,888,989	506,929
Excess (deficiency) of revenues over (under) expenditures	1,343,200	1,570,185	2,136,309	566,124
Other financing sources (uses):				
Advances in	100,000	100,000	100,000	-
Transfers out	(1,425,000)	(1,625,000)	(1,625,000)	-
Total other financing sources (uses)	(1,325,000)	(1,525,000)	(1,525,000)	-
Net change in fund balances	18,200	45,185	611,309	566,124
Fund balances at beginning of year	5,080,234	5,080,234	5,080,234	-
Prior year encumbrances appropriated	76,105	76,105	76,105	-
Fund balance at end of year	$ 5,174,539	$ 5,201,524	$ 5,767,648	$ 566,124

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF WATERVILLE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	**Final**	**Actual**	
Revenues:				
Property taxes	$ 592,000	$ 592,000	$ 586,526	$ (5,474)
Intergovernmental	8,100	8,100	7,345	(755)
Other	225	225	-	(225)
Total revenues	600,325	600,325	593,871	(6,454)
Expenditures:				
Current:				
Security of persons and property:				
Fire	1,132,800	1,299,300	1,246,991	52,309
Total expenditures	1,132,800	1,299,300	1,246,991	52,309
Excess of expenditures over revenues	(532,475)	(698,975)	(653,120)	45,855
Other financing sources:				
Transfers in	390,000	590,000	590,000	-
Total other financing sources	390,000	590,000	590,000	-
Net change in fund balances	(142,475)	(108,975)	(63,120)	45,855
Fund balances at beginning of year	154,355	154,355	154,355	-
Fund balance at end of year	$ 11,880	$ 45,380	$ 91,235	$ 45,855

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF WATERVILLE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	$ 749,821	$ 2,007,775	$ 2,757,596
Receivables:			
Accounts	78,940	143,584	222,524
Accrued interest	443	2,828	3,271
Materials and supplies inventory	2,300	49,848	52,148
Prepayments	3,771	2,483	6,254
Total current assets	835,275	2,206,518	3,041,793
Noncurrent assets:			
Net pension asset	7,630	9,465	17,095
Capital assets:			
Nondepreciable capital assets	81,148	257,671	338,819
Depreciable capital assets, net	6,683,058	7,626,229	14,309,287
Total capital assets, net	6,764,206	7,883,900	14,648,106
Total noncurrent assets	6,771,836	7,893,365	14,665,201
Total assets	7,607,111	10,099,883	17,706,994
Deferred outflows of resources:			
Pension	106,009	132,265	238,274
OPEB	16,998	21,227	38,225
Total deferred outflows of resources	123,007	153,492	276,499
Liabilities:			
Current liabilities:			
Accounts payable	14,098	4,124	18,222
Contracts payable	-	71,253	71,253
Accrued wages and benefits payable	2,726	3,295	6,021
Due to other governments	7,157	148,816	155,973
Accrued interest payable	828	4,210	5,038
Compensated absences payable - current	10,441	12,923	23,364
General obligation bonds payable	18,300	201,700	220,000
OWDA loans payable	2,540	-	2,540
OPWC loans payable	18,213	23,269	41,482
Due to Lucas County	173,561	13,485	187,046
Total current liabilities	247,864	483,075	730,939
Long-term liabilities			
Compensated absences payable	5,390	12,480	17,870
General obligation bonds payable	332,300	3,302,700	3,635,000
OWDA loans payable	16,789	-	16,789
OPWC loans payable	95,603	236,995	332,598
Due to Lucas County	1,643,619	41,710	1,685,329
Unamortized premium on bonds	542	11,280	11,822
Net pension liability	245,152	304,109	549,261
Net OPEB liability	5,609	6,958	12,567
Total long-term liabilities	2,345,004	3,916,232	6,261,236
Total liabilities	2,592,868	4,399,307	6,992,175
Deferred inflows of resources:			
Pension	22,859	1,921	24,780
OPEB	2,061	2,373	4,434
Total deferred inflows of resources	24,920	4,294	29,214
Net position:			
Net investment in capital assets	6,279,919	4,036,703	10,316,622
Restricted for pension	7,630	9,465	17,095
Unrestricted (deficit)	(1,175,219)	1,803,606	628,387
Total net position	$ 5,112,330	$ 5,849,774	$ 10,962,104

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF WATERVILLE

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Business-type Activities - Enterprise Funds		
	Sewer	**Water**	**Total**
Operating revenues:			
Charges for services	$ 892,382	$ 1,897,890	$ 2,790,272
Other operating revenues	-	8,268	8,268
Total operating revenues	892,382	1,906,158	2,798,540
Operating expenses:			
Personal services	268,795	285,770	554,565
Contract services	433,108	1,097,762	1,530,870
Materials and supplies	27,476	24,531	52,007
Depreciation	290,888	322,999	613,887
Other	-	3,268	3,268
Total operating expenses	1,020,267	1,734,330	2,754,597
Operating income (loss)	(127,885)	171,828	43,943
Nonoperating revenues (expenses):			
Interest and fiscal charges	(62,329)	(52,052)	(114,381)
Interest income	14,638	40,096	54,734
Total nonoperating revenues (expenses)	(47,691)	(11,956)	(59,647)
Income (loss) before capital contributions	(175,576)	159,872	(15,704)
Capital contributions	42,705	-	42,705
Change in net position	(132,871)	159,872	27,001
Net position at beginning of year	5,245,201	5,689,902	10,935,103
Net position at end of year	$ 5,112,330	$ 5,849,774	$ 10,962,104

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF WATERVILLE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Business-type Activities - Enterprise Funds		
	Sewer	**Water**	**Total**
Cash flows from operating activities:			
Cash received from charges for services	$ 907,927	$ 1,951,848	$ 2,859,775
Cash received from other operations	-	8,268	8,268
Cash payments for personal services	(266,376)	(279,794)	(546,170)
Cash payments for contractual services	(418,887)	(1,107,583)	(1,526,470)
Cash payments for materials and supplies	(28,355)	(51,501)	(79,856)
Cash payments for other expenses	-	(3,268)	(3,268)
Net cash provided by operating activities	194,309	517,970	712,279
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(6,122)	(178,340)	(184,462)
Cash received from capital grants	32,190	32,190	64,380
Cash received from OPWC loans	32,932	32,932	65,864
Principal retirement on OWDA loans	(2,472)	-	(2,472)
Principal retirement on OPWC loans	(17,319)	(22,444)	(39,763)
Principal retirement on general obligation bonds	(18,200)	(201,800)	(220,000)
Principal retirement to Lucas County	(168,191)	(13,485)	(181,676)
Interest and fiscal charges	(62,445)	(52,877)	(115,322)
Net cash used in capital and related financing activities	(209,627)	(403,824)	(613,451)
Cash flows from investing activities:			
Interest received	14,520	38,558	53,078
Net cash provided by investing activities	14,520	38,558	53,078
Net increase (decrease) in cash and cash equivalents	(798)	152,704	151,906
Cash and cash equivalents at beginning of year	750,619	1,855,071	2,605,690
Cash and cash equivalents at end of year	$ 749,821	$ 2,007,775	$ 2,757,596

CITY OF WATERVILLE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

	Business-type Activities - Enterprise Funds		
	Sewer	**Water**	**Total**
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ (127,885)	$ 171,828	$ 43,943
Adjustments:			
Depreciation	290,888	322,999	613,887
Changes in assets and liabilities:			
Change in materials and supplies inventory	(292)	(27,808)	(28,100)
Change in accounts receivable	15,545	53,958	69,503
Change in prepayments	(123)	(89)	(212)
Change in net pension asset	7,328	5,298	12,626
Change in net OPEB asset	35,517	35,053	70,570
Change in deferred outflows - pension	(59,422)	(85,011)	(144,433)
Change in deferred outflows - OPEB	(13,349)	(18,490)	(31,839)
Change in accounts payable	10,223	477	10,700
Change in accrued wages and benefits payable	115	171	286
Change in intergovernmental payable	3,490	(9,272)	(5,782)
Change in compensated absences payable	1	(6,276)	(6,275)
Change in net pension liability	153,884	214,033	367,917
Change in net OPEB liability	5,609	6,958	12,567
Change in deferred inflows - pension	(92,583)	(112,014)	(204,597)
Change in deferred inflows - OPEB	(34,637)	(33,845)	(68,482)
Net cash provided by operating activities	$ 194,309	$ 517,970	$ 712,279

Non-cash transactions:
During 2023 the sewer fund received $42,705 in capital contributions from governmental activities.
During 2023 the water fund purchased $71,253 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE CITY

The City of Waterville (the "City") is a charter municipal corporation with the charter adopted by the electors on May 3, 1966. Waterville became a village in 1831 and was incorporated as a city on April 29, 2011. The City may exercise all powers of home rule granted under Article XVIII, Section 3, of the Ohio Constitution not in conflict with applicable general laws in Ohio.

The City operates under a council-administrator form of government. Legislative power is vested in a six member council and a Mayor, each elected to a four-year term. The Council is responsible for appointing a full-time Municipal Administrator.

The City is divided into various departments and financial management and control systems. Services provided include police protection, a volunteer fire department, parks and recreation, street maintenance and repair, and water, sewer, and storm sewer services as well as a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Municipal Administrator through administrative and managerial requirements and procedures.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City.

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

The City participates in a jointly governed organization, the Regional Income Tax Agency (RITA) and in an insurance pool, the Ohio Plan Risk Management.

JOINTLY GOVERNED ORGANIZATION

<u>Regional Income Tax Agency (RITA)</u> - RITA is a regional council of governments formed to establish a central collection facility for administering income tax laws of the members and for collecting income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. 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 operations including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the council.

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

INSURANCE POOL

Ohio Plan Risk Management (Plan) - The City participates in the Plan, an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk-management programs and other administrative services. The Plan's business and affairs are conducted by an eleven member board consisting of public officials selected from the membership. Financial information can be obtained from Ohio Plan Risk Management, 420 Madison Avenue, Toledo, Ohio 43204.

B. Basis of Presentation - Fund Accounting

The City's 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. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. 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 business segment or governmental functions are self-financing or draw 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.

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. The City does not have any fiduciary funds.

Governmental Funds - Governmental funds are those through which most governmental functions typically 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 liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Fire levy fund - The fire levy special revenue fund accounts for property tax revenues restricted to operate fire and emergency medical services.

Various improvements fund - The various improvements capital projects fund accounts for income tax revenues, note proceeds, and grant monies used for construction projects or to acquire capital assets.

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

Proprietary Funds - Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City does not have internal service funds.

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

Water fund - The water fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

Sewer fund - The sewer fund accounts for the provision of sanitary and storm sewer service to the residents and commercial users located within the City.

D. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position.

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

Like the government-wide statements, all proprietary 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 net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

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

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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty-one days after 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 period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from 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, charges for services, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees, grants and interest.

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have no yet been met because these amounts have not yet been earned.

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, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2023, but which were levied to finance 2024 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, 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. Budgetary Process

All funds are required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund, department, and object level for all funds.

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

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

G. Cash and Cash Equivalents

Cash balances of the City's funds are pooled. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the financial statements as "equity in pooled cash and cash equivalents".

During 2023, investments were limited to negotiable certificates of deposit, federal agency securities and the State Treasury Asset Reserve of Ohio (STAR Ohio).

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

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

During 2023, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice for deposits and withdrawals of $100 million or more is encouraged. STAR Ohio reserves the right to limit the transaction to $250 million, requiring the excess amount to be transacted the following business day(s), but only to the $250 million limit. All accounts of the participant will be combined for these purposes.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2023 amounted to $130,587, which included $13,240 assigned from other funds of the City.

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

An analysis of the City's investment account at year end is provided in Note 4.

H. Inventories of Materials and Supplies

On government-wide financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. Inventories of the proprietary funds are expensed when used.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of $5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. The City reports all infrastructure, including that acquired prior to 1980. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land improvements	20-40 years
Buildings and improvements	35-100 years
Furniture, fixtures and equipment	5-50 years
Vehicles	5-30 years
Streets	15-40 years
Water, sewer and storm sewer lines	50 years

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least 10 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16. Sick leave benefits were accrued using the "vesting" method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability. There were no compensated absences liabilities in governmental funds at December 31, 2023.

K. Prepayments

Payments made to vendors for services that will benefit beyond December 31, 2023, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

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

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. General obligation bonds, long-term loans, and leases are recognized as liabilities on the 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 Activity

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

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances. The City had no interfund balances at December 31, 2023.

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

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

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

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

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

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

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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 GAAP 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.

P. Net Position

Net position represents the difference between assets plus deferred outflows less liabilities plus deferred inflows. The net position component “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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. The City had neither type of transaction during 2023.

R. Pensions/Other Postemployment Benefits (OPEB)

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

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

S. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the City, these revenues are charges for services for water, sewer and storm water services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

T. Bond Issuance Costs/Bond Premiums and Discounts/Deferred Charges on Refunding

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which these items are incurred.

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds.

On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred.

For current and advance refundings resulting in the defeasance of debt reported in the government-wide financial statements and enterprise funds, the difference between the reacquisition price and the net carrying amount of the old debt is amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow of resources or a deferred outflow of resources.

U. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction and from contributions from governmental funds. During 2023, the sewer fund received $42,705 contributed from governmental funds.

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES

For 2023, the City has implemented GASB Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*", GASB Statement No. 96, "*Subscription Based Information Technology Arrangements*", certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, "*Omnibus 2022*".

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the City.

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES - (Continued)

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the City.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 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.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in 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 the City Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, 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;

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

6. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,

8. 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.

Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year end, the City had $425 in undeposited cash on hand which is included on the financial statements of the City as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At December 31, 2023, the carrying amount of all City deposits was $8,635,104. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2023, $8,482,965 of the City's bank balance of $8,732,965 was exposed to custodial risk as discussed below, while $250,000 was covered by the Federal Deposit Insurance Corporation.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2023, the City's financial institution did participate in OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

C. Investments

As of December 31, 2023, the City had the following investments and maturities:

		Investment Maturities				
Measurement/ Investment type	Measurement Value	6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Amortized cost:						
STAR Ohio	$ 7,384	$ 7,384	$ -	$ -	$ -	$ -
Fair value:						
FNMA	116,134	-	-	-	116,134	-
FAMC	249,837	-	-	-	-	249,837
FFCB	191,593	-	-	-	191,593	-
FHLB	346,534	-	-	97,802	248,732	-
Negotiable CDs	1,548,681	496,332	386,371	364,277	100,021	201,680
Total	$ 2,460,163	$ 503,716	$ 386,371	$ 462,079	$ 656,480	$ 451,517

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. All of the City's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs). The City's investments in negotiable certificates of deposit and federal agency securities are valued using Level 2 inputs.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Finance Director from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the City.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The negotiable certificates of deposit are fully covered by the FDIC and are not rated. The City has no investment policy dealing with credit risk beyond the requirements of State statute.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2023:

Measurement\ Investment type	Measurement Value	% of Total
Amortized cost:		
STAR Ohio	$ 7,384	0.30%
Fair value:		
FNMA	116,134	4.72%
FAMC	249,837	10.15%
FFCB	191,593	7.79%
FHLB	346,534	14.09%
Negotiable CDs	1,548,681	62.95%
	$ 2,460,163	100.00%

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and cash equivalents as reported on the statement of net position as of December 31, 2023:

Cash and investments per note	
Carrying amount of deposits	$ 8,635,104
Investments	2,460,163
Cash on hand	425
Total	$ 11,095,692
Cash and cash equivalents per statement of net position	
Governmental activities	$ 8,338,096
Business-type activities	2,757,596
Total	$ 11,095,692

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2023 public utility property taxes became a lien December 31, 2022, are levied after October 1, 2023, and are collected in 2024 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

NOTE 5 - PROPERTY TAXES - (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Waterville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2023 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2023 operations and the collection of delinquent taxes has been offset by deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2023 was $6.95 per $1,000 of assessed value.

The assessed values of real and public utility property upon which 2023 property tax receipts were based are as follows:

Real property	
Residential/agricultural	$ 160,193,080
Commercial/industrial/mineral	31,120,330
Public utility	
Real	16,020
Personal	39,602,460
Total assessed value	$ 230,931,890

NOTE 6 - LOCAL INCOME TAX

The City levies and collects an income tax of 2 percent based on all income earned within the City as well on incomes of residents earned outside the City. In the latter case, the City allows a credit of 75 percent (up to 1.5 percent of the 2 percent income tax total) of the tax paid to another municipality. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax revenue was credited to the general fund (1.5 percent) and to the various improvements fund (0.5 percent) for 2023.

The Regional Income Tax Agency administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of approximately 2.9 percent.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2023, consisted of taxes, accounts (billings for user charged services), leases, accrued interest, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2023.

A summary of the items of receivables reported on the statement of net position follows:

Governmental activities:	
Income taxes	$ 1,400,276
Property taxes	2,473,786
Accounts	200,326
Due from other governments	1,157,882
Accrued interest	16,121
Other local taxes	5,580
Leases	72,831
Business-type activities:	
Accounts	222,524
Accrued interest	3,271

Receivables have been disaggregated on the face of the basic financial statements. The only receivable not expected to be fully collected within the subsequent year is the leases which are collected over the life of the lease.

The City is reporting leases receivable of $72,831 in the general fund. For 2023, the City recognized lease revenue of $35,881, which is reported in rental income, and interest revenue of $2,815.

The City has entered into the following lease agreement as the lessor with terms as follows:

Lease Type	Lease Commencement Date	Lease End Date	Payment Method
Green Meadows Acres Farmland	2022	2025	Semi-Annual

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

Fiscal Year	Principal	Interest	Total
2024	$ 35,870	$ 1,930	$ 37,800
2025	36,961	839	37,800
Total	$ 72,831	$ 2,769	$ 75,600

NOTE 8 - INTERFUND ACTIVITY

Interfund transfers for the year ended December 31, 2023, consisted of the following, as reported on the fund financial statements:

Transfers from the general fund to:	
Fire levy	$ 590,000
Various improvements	425,000
Nonmajor governmental funds	600,000
Total	$ 1,615,000

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

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

All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

Governmental activities:	Balance 12/31/2022	Additions	Disposals	Balance 12/31/2023
Capital assets, not being depreciated:				
Land	$ 1,939,933	$ -	$ -	$ 1,939,933
Construction in progress	1,347,589	1,558,146	(1,223,515)	1,682,220
Total capital assets, not being depreciated	3,287,522	1,558,146	(1,223,515)	3,622,153
Capital assets, being depreciated:				
Land improvements	1,095,264	-	-	1,095,264
Buildings and improvements	1,330,557	-	-	1,330,557
Furniture, fixtures and equipment	1,810,336	89,165	-	1,899,501
Vehicles	3,828,131	131,466	-	3,959,597
Streets	31,705,804	1,223,515	-	32,929,319
Total capital assets, being depreciated	39,770,092	1,444,146	-	41,214,238
Less: accumulated depreciation:				
Land improvements	(358,715)	(48,143)	-	(406,858)
Buildings and improvements	(308,086)	(15,323)	-	(323,409)
Furniture, fixtures and equipment	(995,900)	(101,884)	-	(1,097,784)
Vehicles	(917,782)	(174,518)	-	(1,092,300)
Streets	(22,062,668)	(568,801)	-	(22,631,469)
Total accumulated depreciation	(24,643,151)	(908,669)	-	(25,551,820)
Total capital assets, being depreciated, net	15,126,941	535,477	-	15,662,418
Governmental activities capital assets, net	$ 18,414,463	$ 2,093,623	$ (1,223,515)	$ 19,284,571

NOTE 9 - CAPITAL ASSETS - (Continued)

Business-type activities:	Balance 12/31/2022	Additions	Disposals	Balance 12/31/2023
Capital assets, not being depreciated:				
Land	$ 33,643	$ -	$ -	$ 33,643
Construction in progress	530,314	298,420	(523,558)	305,176
Total capital assets, not being depreciated	563,957	298,420	(523,558)	338,819
Capital assets, being depreciated:				
Buildings and improvements	148,393	-	-	148,393
Furniture, fixtures and equipment	2,015,217	523,558	-	2,538,775
Vehicles	237,244	-	-	237,244
Water, sewer and storm sewer lines	25,364,815	-	-	25,364,815
Total capital assets, being depreciated	27,765,669	523,558	-	28,289,227
Less: accumulated depreciation:				
Buildings and improvements	(83,302)	(2,403)	-	(85,705)
Furniture, fixtures and equipment	(1,726,912)	(99,640)	-	(1,826,552)
Vehicles	(204,786)	(4,536)	-	(209,322)
Water, sewer and storm sewer lines	(11,351,053)	(507,308)	-	(11,858,361)
Total accumulated depreciation	(13,366,053)	(613,887)	-	(13,979,940)
Total capital assets, being depreciated, net	14,399,616	(90,329)	-	14,309,287
Business-type activities capital assets, net	$ 14,963,573	$ 208,091	$ (523,558)	$ 14,648,106

Depreciation expense was charged to functions/programs of the governmental activities and the funds of the business-type activities, of the City as follows:

Governmental activities:	
General government	$ 23,127
Security of persons and property - police	47,287
Security of persons and property - fire	162,842
Security of persons and property - other	4,237
Transportation	614,323
Leisure time activities	56,853
Total depreciation expense - governmental activities	$ 908,669

Business-type activities:	
Water	$ 322,999
Sewer	290,888
Total depreciation expense - business-type activities	$ 613,887

NOTE 10 - LONG-TERM OBLIGATIONS

A. During 2023, the following changes occurred in governmental activities long-term obligations.

Governmental activities:	Balance 12/31/22	Additions	Retirements	Balance 12/31/23	Amount Due in One Year
General obligation bonds:					
2021 various purpose refunding	$ 1,090,000	$ -	$ (180,000)	$ 910,000	$ 185,000
2021 ladder fire truck	1,295,000	-	(140,000)	1,155,000	140,000
2021 fire truck	235,000	-	(25,000)	210,000	25,000
Total general obligation debt	2,620,000	-	(345,000)	2,275,000	350,000
OPWC loans - direct borrowing:					
2008 OPWC loan	67,717	-	(12,312)	55,405	12,312
Other long-term obligations:					
Financed purchase obligation	7,400	-	(7,400)	-	-
Net pension liability	3,093,138	2,833,685	-	5,926,823	-
Net OPEB liability	482,694	25,635	(122,439)	385,890	-
Compensated absences	164,923	160,526	(147,127)	178,322	130,440
Total other obligations	3,748,155	3,019,846	(276,966)	6,491,035	130,440
Total governmental activities long-term obligations	$ 6,435,872	$ 3,019,846	$ (634,278)	8,821,440	$ 492,752
Add: unamortized bond premium				35,131	
Total on statement of net position				$ 8,856,571	

2021 various purpose refunding bonds - On August 17, 2021, the City issued general obligation bonds (2021 various purpose refunding bonds) to currently refund the 2012 various purpose refunding bonds. The issuance proceeds of $1,283,872 were used to pay for the cost of the issuance and to retire the outstanding 2012 various purpose refunding bonds.

The 2021 refunding issue is comprised of current interest bonds, par value $1,265,000. The interest rate on the current interest bonds ranges from 1.00-2.00% and mature on December 1, 2035. The bonds will be retired through the various improvements capital projects fund.

The reacquisition price exceeded the net carrying amount of the old debt by $19,756. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

2021 ladder fire truck bonds - On August 17, 2021, the City issued general obligation bonds, par value $1,430,000 (2021 ladder fire truck bonds). These bonds are general obligations of the City, for which its full faith and credit is pledged for repayment. The bonds were issued to provide resources to retire a portion of the 2021 various purpose note. The bonds have an annual interest rate ranging from 1.00% to 1.10% and are scheduled to mature on December 1, 2031. Principal and interest payments on the general obligation bonds will be made from the various improvements capital projects fund.

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

2021 fire truck bonds - On August 17, 2021, the City issued general obligation bonds, par value $260,000 (2021 fire truck bonds). These bonds are general obligations of the City, for which its full faith and credit is pledged for repayment. The bonds were issued to provide resources to retire a portion of the 2021 various purpose note. The bonds have an annual interest rate ranging from 1.00% to 1.10% and are scheduled to mature on December 1, 2031. Principal and interest payments on the general obligation bonds will be made from the various improvements capital projects fund.

OPWC loan - The City has entered into a loan agreement from direct borrowing with the Ohio Public Works Commission (OPWC) for a street project. The original amount borrowed was $246,242. The loan has a final maturity date of July 1, 2028. The loan is interest free. The loan will be paid from resources of the various improvements capital projects fund.

In the event of default on the loan, (1) OPWC may apply late fees of 8 percent per year, (2) loans more than sixty days late will be turned over to the Attorney General's office for collection and, as provided by law, OPWC may require that the payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amount shall, at OPWC's option, become immediately due and payable.

Financed purchase obligation - In 2019, the City entered into an agreement to finance the purchase of fire equipment. The original amount financed was $29,602. Payments were due annually from the various improvements capital projects fund. This obligation was interest free. The City made a principal payment of $7,400 in 2023, which was the final payment due.

Compensated absences - Compensated absences reported in the statement of net position and will be paid from the fund from which the employee's salaries are paid, which is the general fund, fire levy fund and street maintenance nonmajor special revenue fund.

Net pension liability and net OPEB liability - There is no repayment schedule for the net pension/OPEB liability; however, employer pension contributions are made from the general fund and street maintenance special revenue fund. For additional information, see Notes 13 and 14 for a discussion of the City's net pension liability and net OPEB liability.

B. The annual requirements amortize governmental activities long-term obligations outstanding as of December 31, 2023, are as follows:

Year Ending	General Obligation Bonds			Direct Borrowing OPWC Loan
December 31,	Principal	Interest	Total	Principal
2024	$ 350,000	$ 23,330	$ 373,330	$ 12,312
2025	345,000	19,830	364,830	12,313
2026	350,000	16,380	366,380	12,312
2027	230,000	12,880	242,880	12,312
2028	225,000	10,580	235,580	6,156
2029 - 2033	755,000	19,610	774,610	-
2034 - 2035	20,000	540	20,540	-
Total	$ 2,275,000	$ 103,150	$ 2,378,150	$ 55,405

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

C. During 2023, the following changes occurred in business-type activities long-term obligations.

Business-type activities:	Balance 12/31/22	Additions	Retirements	Balance 12/31/23	Amount Due in One Year
General obligation bonds:					
2020 various purpose refunding	$ 2,575,000	$ -	$ (150,000)	$ 2,425,000	$ 160,000
2021 various purpose	1,500,000	-	(70,000)	1,430,000	60,000
Total general obligation bonds	4,075,000	-	(220,000)	3,855,000	220,000
OPWC loans - direct borrowing:					
2004 OPWC loan - sewer	5,759	-	(2,879)	2,880	2,880
2006 OPWC loan - sewer	31,424	-	(6,813)	24,611	6,881
2009 OPWC loan - water	41,378	-	(6,366)	35,012	6,366
2010 OPWC loan - sewer	61,020	-	(7,627)	53,393	7,628
2011 OPWC loan - water	59,593	-	(6,273)	53,320	6,273
2015 OPWC loan - water	103,747	-	(7,155)	96,592	7,155
2018 OPWC loan - water	45,058	-	(2,650)	42,408	2,651
2023 OPWC loan - water	-	32,932	-	32,932	824
2023 OPWC loan - sewer	-	32,932	-	32,932	824
Total OPWC loans	347,979	65,864	(39,763)	374,080	41,482
OWDA loan - direct borrowing:					
2010 OWDA loan - sewer	21,801	-	(2,472)	19,329	2,540
Other long-term obligations:					
Due to Lucas County	2,054,051	-	(181,676)	1,872,375	187,046
Net pension liability	181,344	367,917	-	549,261	-
Net OPEB liability	-	12,567	-	12,567	-
Compensated absences	47,509	27,145	(33,420)	41,234	23,364
Total other obligations	2,282,904	407,629	(215,096)	2,475,437	210,410
Total business-type activities long-term obligations	$ 6,727,684	$ 473,493	$ (477,331)	6,723,846	$ 474,432
Add: unamortized premium				11,822	
Total on statement of net position				$ 6,735,668	

2020 various purpose refunding bonds - On July 30, 2020, the City issued unvoted general obligation bonds, in the amount of $3,005,000, to currently refund bonds previously issued in 2015 to construct a waterline to connect to the City of Bowling Green. The refunding bond issue includes serial and term bonds. The bonds bear interest rates ranging from 1.25% to 1.85%. The bonds were issued for a twenty-six year period, with final maturity in 2041. The bonds are being retired through the water and sewer enterprise funds.

2021 various purpose bonds - On August 17, 2021, the City issued general obligation bonds, par value $1,565,000 (2021 various purpose bonds). These bonds are general obligations of the City, for which its full faith and credit is pledged for repayment. The bonds were issued to provide resources to retire the 2021 water improvement note and 2021 sewer improvement note. The bonds have an annual interest rate ranging from 1.00% to 2.00% and are scheduled to mature on December 1, 2041. Principal and interest payments on the general obligation bonds will be made from the water and sewer enterprise funds.

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

OPWC loans - The City has entered into loan agreements from direct borrowing with the Ohio Public Works Commission (OPWC) for water and sewer related projects. The loans are interest free, except for the Dutch Road lift station loan (2006 OPWC loan), which has an interest rate of 1.00%. All of the City's outstanding OPWC loans are for a twenty-year period. The loans will be paid from resources of the water and sewer enterprise funds.

In the event of default on the loans, (1) OPWC may apply late fees of 8 percent per year, (2) loans more than sixty days late will be turned over to the Attorney General's office for collection and, as provided by law, OPWC may require that the payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amount shall, at OPWC's option, become immediately due and payable.

OWDA loan - The City has entered into a loan agreement from direct borrowing with the Ohio Water Development Authority (OWDA) for construction of a water line and a sanitary sewer project. The loan bears an interest rate of 2.75% and matures on July 1, 2030. The loan will be paid from resources of the sewer enterprise funds.

In the event of default on the loans, (1) the amount of the default shall bear interest at a default rate from the due date until the date of payment, (2) if any of the charges have not been paid within thirty 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 OWDA, and (3) for each additional thirty 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 OPWC and OWDA loans for water and sewer projects are to be paid from the gross revenues of the water and sewer enterprise funds after provisions for reasonable operating and maintenance expenses. Annual principal and interest payments on the loans are expected to require less than 100 percent of these net revenues in future years. The total principal and interest remaining to be paid on the OPWC and OWDA loans are $374,712 and $21,381, respectively. Principal and interest paid for the current year and net revenues were $22,444 and $494,827 for the water enterprise fund and $20,705 and $163,003 for the sewer enterprise fund.

Due to Lucas County - In 1973, the City entered into an agreement with the Lucas County Commissioners to provide for the use of the Maumee River Wastewater Treatment Plant with the City paying a portion of the construction cost to Lucas County over a 40 year period. In 1996, the plant was expanded and the City agreed to pay a portion of the expansion costs based on the City's quarterly consumption rate. In 2007, the plant again expanded. The City agreed to pay 13.33 percent of these improvement costs to Lucas County over a twenty year period. In 2010, the plant was once again expanded and the City agreed to pay a portion of the expansion costs based on the City's quarterly consumption rate.

In 2011, the City entered into an agreement with Lucas County to pay for their portion of the North River Road water line.

Compensated absences - Compensated absences reported in the statement of net position and will be paid from the fund from which the employee's salaries are paid, which is the water and sewer enterprise funds.

Net pension liability and net OPEB liability - There is no repayment schedule for the net pension/OPEB liability; however, employer pension contributions are made from the water and sewer enterprise funds. For additional information, see Notes 13 and 14 for a discussion of the City's net pension liability and net OPEB liability.

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

D. The annual requirements amortize business-type activities long-term obligations outstanding as of December 31, 2023, are as follows:

Year Ending	Direct Borrowing OWDA Loans			Direct Borrowing OPWC Loans		
December 31,	Principal	Interest	Total	Principal	Interest	Total
2024	$ 2,540	$ 514	$ 3,054	$ 41,482	$ 262	$ 41,744
2025	2,611	444	3,055	40,316	193	40,509
2026	2,683	372	3,055	40,385	124	40,509
2027	2,757	297	3,054	37,124	53	37,177
2028	2,833	221	3,054	33,364	-	33,364
2029 - 2033	5,905	204	6,109	105,886	-	105,886
2034 - 2038	-	-	-	54,759	-	54,759
2039 - 2043	-	-	-	19,116	-	19,116
2044	-	-	-	1,648	-	1,648
Total	$ 19,329	$ 2,052	$ 21,381	$ 374,080	$ 632	$ 374,712

Year Ending	General Obligation Bonds			Due to Lucas County
December 31,	Principal	Interest	Total	Principal
2024	$ 220,000	$ 55,578	$ 275,578	$ 187,046
2025	220,000	53,002	273,002	192,608
2026	225,000	50,428	275,428	198,372
2027	230,000	47,790	277,790	204,348
2028	235,000	45,090	280,090	198,307
2029 - 2033	1,150,000	183,031	1,333,031	489,447
2034 - 2038	965,000	110,101	1,075,101	379,051
2039 - 2041	610,000	23,542	633,542	23,196
Total	$ 3,855,000	$ 568,562	$ 4,423,562	$ 1,872,375

E. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2023, the City's total debt margin was $21,972,848 and the unvoted debt margin was $12,701,254.

NOTE 11 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws.

City employees earn vacation at varying rates depending on length of service. Current policy credits vacation leave each biweekly pay period. Employees are paid for 100 percent of accumulated unused vacation leave upon termination.

Upon retirement, full-time employees within the sergeant police unit with ten or more years of service, who were hired before August 8, 1983, are entitled to receive all of their accrued but unused sick leave up to a maximum of nine hundred sixty hours. All other full-time employees with ten or more years of service are entitled to receive one-fourth of the value of their unused sick leave up to a maximum of two hundred forty hours.

NOTE 12 - RISK MANAGEMENT

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 2023, the City contracted with the Ohio Plan Risk Management, an insurance purchasing pool, for the following coverage:

Type of Coverage	Coverage	Deductible
Blanket building and personal property	$ 13,339,363	$ 1,000
Special property	2,106,389	1,000
General liability		
Occurrence	5,000,000	-
Aggregate	7,000,000	-
Employer's liability		
Occurrence	5,000,000	-
Aggregate	5,000,000	-
Employee benefits		
Occurrence	5,000,000	-
Aggregate	7,000,000	-
Public officials liability		
Occurrence	5,000,000	2,500
Aggregate	7,000,000	2,500
Law enforcement liability		
Occurrence	5,000,000	2,500
Aggregate	7,000,000	2,500
Auto liability	5,000,000	-

There has been no significant reduction in insurance coverage from 2022 and no insurance settlement has exceeded insurance coverage during the last three years.

Workers' compensation is provided by the State of Ohio. The City pays the State Workers' Compensation System a premium based on a rate of $100 of salaries. The 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

The net pension liability/asset and the net OPEB liability 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 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.

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

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

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

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

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. 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.

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group.

The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests upon receipt of the initial benefit payment.

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20.00% each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

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

	State and Local	
	Traditional	Combined
2023 Statutory Maximum Contribution Rates		
Employer	14.0 %	14.0 %
Employee *	10.0 %	10.0 %
2023 Actual Contribution Rates		
Employer:		
Pension **	14.0 %	12.0 %
Post-employment Health Care Benefits **	0.0	2.0
Total Employer	14.0 %	14.0 %
Employee	10.0 %	10.0 %

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

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension; however, effective July 1, 2022, a portion of the health care rate is funded with reserves.

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 $145,062 for 2023. Of this amount, $2,304 is reported as due to other governments.

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 after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% 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, statutory survivors and annuity beneficiaries. Members participating in the DROP program have separate eligibility requirements related to COLA.

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	Police	Firefighters
2023 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2023 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $314,744 for 2023. Of this amount, $8,484 is reported as due to other governments.

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, 2022, 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, 2022, and was determined by rolling forward the total pension liability as of January 1, 2022, to December 31, 2022. The City's proportion of the net pension liability 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:

	OPERS - Traditional	OPERS - Combined	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.00601400%	0.02176500%	0.04403800%	
Proportion of the net pension liability/asset current measurement date	0.00565200%	0.02204800%	0.05059970%	
Change in proportionate share	-0.00036200%	0.00028300%	0.00656170%	
Proportionate share of the net pension liability	$ 1,669,603	$ -	$ 4,806,481	$ 6,476,084
Proportionate share of the net pension asset	-	51,965	-	51,965
Pension expense	239,207	6,663	764,710	1,010,580

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2023, 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	$ 55,457	$ 3,195	$ 72,092	$ 130,744
Net difference between projected and actual earnings on pension plan investments	475,889	18,940	699,766	1,194,595
Changes of assumptions	17,639	3,440	433,530	454,609
Changes in employer's proportionate percentage/ difference between employer contributions	2,065	-	1,049,990	1,052,055
Contributions subsequent to the measurement date	131,975	13,087	314,744	459,806
Total deferred outflows of resources	$ 683,025	$ 38,662	$ 2,570,122	$ 3,291,809
Deferred inflows of resources				
Differences between expected and actual experience	$ -	$ 7,425	$ 109,505	$ 116,930
Changes of assumptions	-	-	93,725	93,725
Changes in employer's proportionate percentage/ difference between employer contributions	35,922	-	153,338	189,260
Total deferred inflows of resources	$ 35,922	$ 7,425	$ 356,568	$ 399,915

$459,806 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, 2024.

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:				
2024	$ 42,357	$ 769	$ 280,306	$ 323,432
2025	99,572	3,485	461,157	564,214
2026	140,078	4,834	520,505	665,417
2027	233,121	8,150	586,926	828,197
2028	-	(20)	49,916	49,896
Thereafter	-	932	-	932
Total	$ 515,128	$ 18,150	$ 1,898,810	$ 2,432,088

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, 2022, 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, 2022, compared to the December 31, 2021 actuarial valuation, are presented below.

Wage inflation	
Current measurement date	2.75%
Prior measurement date	2.75%
Future salary increases, including inflation	
Current measurement date	2.75% to 10.75% including wage inflation
Prior measurement date	2.75% 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 2023, then 2.05% simple
Prior measurement date	Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2022, then 2.05% simple
Investment rate of return	
Current measurement date	6.90%
Prior measurement date	6.90%
Actuarial cost method	Individual entry age

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 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 12.1% for 2022.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board 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 rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric 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, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed income	22.00 %	2.62 %
Domestic equities	22.00	4.60
Real estate	13.00	3.27
Private equity	15.00	7.53
International equities	21.00	5.51
Risk Parity	2.00	4.37
Other investments	5.00	3.27
Total	100.00 %	

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, 2022 was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments 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	$ 2,501,010	$ 1,669,603	$ 978,022
Combined Plan	(27,119)	(51,965)	(71,656)

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2022, is based on the results of an actuarial valuation date of January 1, 2022, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing retirement 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. Experience study assumptions were performed by OP&F's prior actuary and completed as of December 31, 2016. Changes in demographic and economic actuarial assumptions were made. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth. The changes in assumptions are being amortized over the estimated remaining useful lives of the participants which was 5.81 years at December 31, 2022.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2022, compared to December 31, 2021, are presented below.

Valuation date	1/1/22 with actuarial liabilities rolled forward to 12/31/22
Actuarial cost method	Entry age normal (level percent of payroll)
Investment rate of return	
Current measurement date	7.50%
Prior measurement date	7.50%
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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Health Mortality

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

Disabled Mortality

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

Contingent Annuitant Mortality

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

Pre-Retirement Mortality

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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NOTE 13 - DEFINED BENEFIT PENSION 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, 2022 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return **
Cash and cash equivalents	0.00 %	0.00 %
Domestic equity	18.60	4.80
Non-US equity	12.40	5.50
Private markets	10.00	7.90
Core fixed income *	25.00	2.50
High yield fixed income	7.00	4.40
Private credit	5.00	5.90
U.S. inflation linked bonds *	15.00	2.00
Midstream energy infrastructure	5.00	5.90
Real assets	8.00	5.90
Gold	5.00	3.60
Private real estate	12.00	5.30
Commodities	2.00	3.60
Total	125.00 %	

Note: assumptions are geometric.
* levered 2x
** Numbers are net of expected inflation.

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 7.50% 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 earnings were calculated using the longer-term assumed investment rate of return 7.50%. 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	$ 6,340,676	$ 4,806,481	$ 3,531,105

NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

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

Group B 32 years of qualifying service credit at any age or 31 years of qualifying service credit and minimum age 52;

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

A retiree from groups A, B or C who qualifies for an unreduced pension, but a portion of their service credit is not health care qualifying service, can still qualify for health care at age 60 if they have at least 20 years of qualifying health care service credit

Retirees who don’t meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Members with a retirement date prior to January 1, 2022 who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022.

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

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

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

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50.00% of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023, state and local employers contributed at a rate of 14.00% 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 2023, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and beginning July 1, 2022, there was a 2.00% allocation to health care for the Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2023 was 4.00%; however, effective July 1, 2022, a portion of the health care rate was funded with reserves.

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 $2,181 for 2023. Of this amount, $35 is reported as due to other governments.

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

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

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

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

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

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.

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 2023, 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 $7,536 for 2023. Of this amount, $203 is reported as due to other governments.

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2022, and was determined by rolling forward the total OPEB liability as of January 1, 2022, to December 31, 2022. The City's proportion of the net OPEB liability 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:

	OPERS	OP&F	Total
Proportion of the net OPEB liability/asset prior measurement date	0.00650100%	0.04403800%	
Proportion of the net OPEB liability current measurement date	0.00605900%	0.05059970%	
Change in proportionate share	-0.00044200%	0.00656170%	
Proportionate share of the net OPEB liability	$ 38,202	$ 360,255	$ 398,457
OPEB expense	(52,975)	31,897	(21,078)

At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ -	$ 21,498	$ 21,498
Net difference between projected and actual earnings on OPEB plan investments	75,874	30,898	106,772
Changes of assumptions	37,314	179,533	216,847
Changes in employer's proportionate percentage/ difference between employer contributions	349	151,168	151,517
Contributions subsequent to the measurement date	2,181	7,536	9,717
Total deferred outflows of resources	$ 115,718	$ 390,633	$ 506,351

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

	OPERS	OP&F	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ 9,529	$ 71,037	$ 80,566
Changes of assumptions	3,070	294,659	297,729
Changes in employer's proportionate percentage/ difference between employer contributions	657	56,055	56,712
Total deferred inflows of resources	$ 13,256	$ 421,751	$ 435,007

$9,717 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 in the year ending December 31, 2024.

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

	OPERS	OP&F	Total
Year Ending December 31:			
2024	$ 12,467	$ (2,924)	$ 9,543
2025	27,504	630	28,134
2026	23,660	2,191	25,851
2027	36,650	12,109	48,759
2028	-	(6,806)	(6,806)
Thereafter	-	(43,854)	(43,854)
Total	$ 100,281	$ (38,654)	$ 61,627

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022.

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	2.75%
Projected Salary Increases, including inflation	
Current measurement date	2.75 to 10.75% including wage inflation
Prior Measurement date	2.75 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	5.22%
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	4.05%
Prior Measurement date	1.84%
Health Care Cost Trend Rate	
Current measurement date	5.50% initial, 3.50% ultimate in 2036
Prior Measurement date	5.50% initial, 3.50% ultimate in 2034
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.

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, 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 loss of 15.6% for 2022.

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00 %	2.56 %
Domestic equities	26.00	4.60
Real Estate Investment Trusts (REITs)	7.00	4.70
International equities	25.00	5.51
Risk parity	2.00	4.37
Other investments	6.00	1.84
Total	100.00 %	

Discount Rate - A single discount rate of 5.22% was used to measure the total OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6.00%. 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 4.05%. 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 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following table presents the proportionate share of the net OPEB liability calculated using the single discount rate of 5.22%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (4.22%) or one-percentage-point higher (6.22%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability/(asset)	$ 130,026	$ 38,202	$ (37,566)

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability 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 health care; the trend starting in 2023 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 liability	$ 35,809	$ 38,202	$ 40,898

Actuarial Assumptions - OP&F

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

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

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

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, 2022, with actuarial liabilities rolled forward to December 31, 2022
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	
Current measurement date	7.50%
Prior measurement date	7.50%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Single discount rate:	
Current measurement date	4.27%
Prior measurement date	2.84%
Cost of Living Adjustments	2.20% simple per year

Health Mortality

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

Disabled Mortality

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

Contingent Annuitant Mortality

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

Pre-Retirement Mortality

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in OP&F's Statement of Investment Policy. A forecasted rate of inflation serves as a 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.

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, 2022, are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return **
Cash and cash equivalents	0.00 %	0.00 %
Domestic equity	18.60	4.80
Non-US equity	12.40	5.50
Private markets	10.00	7.90
Core fixed income *	25.00	2.50
High yield fixed income	7.00	4.40
Private credit	5.00	5.90
U.S. inflation linked bonds *	15.00	2.00
Midstream energy infrastructure	5.00	5.90
Real assets	8.00	5.90
Gold	5.00	3.60
Private real estate	12.00	5.30
Commodities	2.00	3.60
Total	125.00 %	

Note: assumptions are geometric.
* levered 2x
** Numbers are net of expected inflation.

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 - For 2022, the total OPEB liability was calculated using the discount rate of 4.27%. For 2021, the total OPEB liability was calculated using the discount rate of 2.84%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 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, the long-term assumed rate of return on investments of 7.50% was applied to periods before December 31, 2035 and the Municipal Bond Index Rate of 3.65% was applied to periods on and after December 31, 2035, resulting in a discount rate of 4.27%.

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.27%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.27%), or one percentage point higher (5.27%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	$ 443,620	$ 360,255	$ 289,874

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

(a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	General Fund	Fire Levy
Budget basis	$ 611,309	$ (63,120)
Net adjustment for revenue accruals	110,347	(1)
Net adjustment for expenditure accruals	(10,236)	5,095
Net adjustment for other sources/uses	(100,000)	-
Funds budgeted elsewhere	(2,235)	-
Adjustment for encumbrances	76,987	-
GAAP basis	$ 686,172	$ (58,026)

The employee retirement benefits fund is legally budgeted in a separate special revenue fund; however, the fund is considered part of the general fund on a GAAP basis.

NOTE 16 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2023.

B. Litigation

The City is involved in litigation at year end. This litigation is not expected to result in a judgment that is material to the financial statements.

NOTE 17 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. The City will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

NOTE 18 - FUND BALANCE

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

Fund balance	General	Fire Levy	Various Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	$ 36,903	$ -	$ -	$ 34,539	$ 71,442
Prepaids	26,932	-	-	6,586	33,518
Total nonspendable	63,835	-	-	41,125	104,960
Restricted:					
Capital improvements	-	-	1,466,249	-	1,466,249
Street construction and maintenance	-	-	-	522,062	522,062
Police and fire purposes	-	65,727	-	60,564	126,291
Other purposes	-	-	-	3,356	3,356
Total restricted	-	65,727	1,466,249	585,982	2,117,958
Committed:					
Parks/green space improvement	-	-	-	147,713	147,713
Future severance payments	65,714	-	-	-	65,714
Total committed	65,714	-	-	147,713	213,427
Assigned:					
Subsequent year appropriations	502,528	-	-	-	502,528
Unpaid obligations	38,464	-	-	-	38,464
Total assigned	540,992	-	-	-	540,992
Unassigned	5,574,926	-	-	-	5,574,926
Total fund balances	$ 6,245,467	$ 65,727	$ 1,466,249	$ 774,820	$ 8,552,263

NOTE 19 - OTHER COMMITMENTS

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

Fund	Year-End Encumbrances
General fund	$ 76,987
Various improvements	586,300
Other governmental	236,351
Total	$ 899,638

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WATERVILLE

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 TEN YEARS

	2023	2022	2021	2020
Traditional Plan:				
City's proportion of the net pension liability	0.005652%	0.006014%	0.005955%	0.005608%
City's proportionate share of the net pension liability	$ 1,669,603	$ 523,242	$ 881,806	$ 1,108,459
City's covered payroll	$ 904,236	$ 875,907	$ 838,736	$ 806,221
City's proportionate share of the net pension liability as a percentage of its covered payroll	184.64%	59.74%	105.14%	137.49%
Plan fiduciary net position as a percentage of the total pension liability	75.74%	96.62%	86.88%	82.17%
Combined Plan:				
City's proportion of the net pension asset	0.022048%	0.021765%	0.021631%	0.020871%
City's proportionate share of the net pension asset	$ 51,965	$ 85,755	$ 62,441	$ 43,520
City's covered payroll	$ 102,186	$ 99,229	$ 95,329	$ 92,907
City's proportionate share of the net pension asset as a percentage of its covered payroll	50.85%	86.42%	65.50%	46.84%
Plan fiduciary net position as a percentage of the total pension asset	137.14%	169.88%	157.67%	145.28%

Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

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

2019	2018	2017	2016	2015	2014
0.005990%	0.005992%	0.006279%	0.006155%	0.006122%	0.006122%
$ 1,640,540	$ 940,028	$ 1,425,856	$ 1,066,124	$ 738,382	$ 721,704
$ 809,064	$ 791,808	$ 811,758	$ 766,114	$ 750,617	$ 887,666
202.77%	118.72%	175.65%	139.16%	98.37%	81.30%
74.70%	84.66%	77.25%	81.08%	86.45%	86.36%
0.022325%	0.022601%	n/a	n/a	n/a	n/a
$ 24,964	$ 30,766	n/a	n/a	n/a	n/a
$ 95,486	$ 92,562	n/a	n/a	n/a	n/a
26.14%	33.24%	n/a	n/a	n/a	n/a
126.64%	137.28%	n/a	n/a	n/a	n/a

CITY OF WATERVILLE

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 TEN YEARS

	2023	2022	2021	2020
City's proportion of the net pension liability	0.05059970%	0.04403800%	0.02870030%	0.03057160%
City's proportionate share of the net pension liability	$ 4,806,481	$ 2,751,240	$ 1,956,525	$ 2,059,466
City's covered payroll	$ 1,306,471	$ 1,182,427	$ 823,373	$ 786,622
City's proportionate share of the net pension liability as a percentage of its covered payroll	367.90%	232.68%	237.62%	261.81%
Plan fiduciary net position as a percentage of the total pension liability	62.90%	75.03%	70.65%	69.89%

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

2019	2018	2017	2016	2015	2014
0.03615700%	0.03752700%	0.03828700%	0.03637100%	0.03462640%	0.03615700%
$ 2,951,365	$ 2,303,202	$ 2,425,060	$ 2,339,771	$ 1,793,792	$ 1,686,414
$ 925,662	$ 877,699	$ 780,794	$ 798,325	$ 749,103	$ 758,514
318.84%	262.41%	310.59%	293.09%	239.46%	222.33%
63.07%	70.91%	68.36%	66.77%	71.71%	73.00%

CITY OF WATERVILLE

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	2023	2022	2021	2020
Traditional Plan:				
Contractually required contribution	$ 131,975	$ 126,593	$ 122,627	$ 117,423
Contributions in relation to the contractually required contribution	(131,975)	(126,593)	(122,627)	(117,423)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 942,679	$ 904,236	$ 875,907	$ 838,736
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%
Combined Plan:				
Contractually required contribution	$ 13,087	$ 14,306	$ 13,892	$ 13,346
Contributions in relation to the contractually required contribution	(13,087)	(14,306)	(13,892)	(13,346)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 109,058	$ 102,186	$ 99,229	$ 95,329
Contributions as a percentage of covered payroll	12.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2019		2018		2017		2016		2015		2014	
$	112,871	$	113,269	$	102,935	$	97,411	$	91,934	$	90,074
	(112,871)		(113,269)		(102,935)		(97,411)		(91,934)		(90,074)
$	-	$	-	$	-	$	-	$	-	$	-
$	806,221	$	809,064	$	791,808	$	811,758	$	766,114	$	750,617
	14.00%		14.00%		13.00%		12.00%		12.00%		12.00%
$	13,007	$	13,368	$	12,033	$	10,580	$	10,035	$	9,540
	(13,007)		(13,368)		(12,033)		(10,580)		(10,035)		(9,540)
$	-	$	-	$	-	$	-	$	-	$	-
$	92,907	$	95,486	$	92,562	$	88,167	$	83,625	$	79,500
	14.00%		14.00%		13.00%		12.00%		12.00%		12.00%

CITY OF WATERVILLE

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	2023	2022	2021	2020
Police:				
Contractually required contribution	$ 166,678	$ 157,631	$ 161,105	$ 140,792
Contributions in relation to the contractually required contribution	(166,678)	(157,631)	(161,105)	(140,792)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 877,253	$ 829,637	$ 847,921	$ 741,011
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
Fire:				
Contractually required contribution	$ 148,066	$ 112,056	$ 78,609	$ 19,355
Contributions in relation to the contractually required contribution	(148,066)	(112,056)	(78,609)	(19,355)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 630,068	$ 476,834	$ 334,506	$ 82,362
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2019	2018	2017	2016	2015	2014
$ 135,475	$ 148,286	$ 141,467	$ 126,357	$ 133,407	$ 131,439
(135,475)	(148,286)	(141,467)	(126,357)	(133,407)	(131,439)
$ -	$ -	$ -	$ -	$ -	$ -
$ 713,026	$ 780,453	$ 744,563	$ 665,037	$ 702,142	$ 691,784
19.00%	19.00%	19.00%	19.00%	19.00%	19.00%
$ 17,295	$ 34,124	$ 31,287	$ 27,203	$ 22,603	$ 13,470
(17,295)	(34,124)	(31,287)	(27,203)	(22,603)	(13,470)
$ -	$ -	$ -	$ -	$ -	$ -
$ 73,596	$ 145,209	$ 133,136	$ 115,757	$ 96,183	$ 57,319
23.50%	23.50%	23.50%	23.50%	23.50%	23.50%

CITY OF WATERVILLE

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 SEVEN YEARS

	2023	2022	2021	2020
City's proportion of the net OPEB liability/asset	0.006059%	0.006501%	0.006441%	0.006024%
City's proportionate share of the net OPEB liability/(asset)	$ 38,202	$ (203,620)	$ (114,752)	$ 832,070
City's covered payroll	$ 1,006,422	$ 975,136	$ 934,035	$ 899,128
City's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	3.80%	20.88%	12.29%	92.54%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	94.79%	128.23%	115.57%	47.80%

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

	2019	2018	2017
	0.006310%	0.006330%	0.006600%
	$ 822,676	$ 687,391	$ 666,622
	$ 904,550	$ 884,370	$ 899,925
	90.95%	77.73%	74.08%
	46.33%	54.14%	54.04%

CITY OF WATERVILLE

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 SEVEN YEARS

	2023	2022	2021	2020
City's proportion of the net OPEB liability	0.05059970%	0.04403800%	0.02870030%	0.03057160%
City's proportionate share of the net OPEB liability	$ 360,255	$ 482,694	$ 304,084	$ 301,978
City's covered payroll	$ 1,306,471	$ 1,182,427	$ 823,373	$ 786,622
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	27.57%	40.82%	36.93%	38.39%
Plan fiduciary net position as a percentage of the total OPEB liability	52.59%	46.86%	45.42%	47.08%

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

	2019		2018		2017
	0.03615700%		0.03752700%		0.03828700%
$	329,266	$	2,126,227	$	1,817,398
$	925,662	$	877,699	$	780,794
	35.57%		242.25%		232.76%
	46.57%		14.13%		15.96%

CITY OF WATERVILLE

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT YEARS

	2023	2022	2021	2020
Contractually required contribution	$ 2,181	$ 1,205	$ 1,671	$ 1,601
Contributions in relation to the contractually required contribution	(2,181)	(1,205)	(1,671)	(1,601)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 1,051,737	$ 1,006,422	$ 975,136	$ 934,065
Contributions as a percentage of covered payroll	0.21%	0.12%	0.17%	0.17%

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

2019		2018		2017		2016	
$	437	$	428	$	9,311	$	18,508
	(437)		(428)		(9,311)		(18,508)
$	-	$	-	$	-	$	-
$	899,128	$	904,550	$	884,370	$	899,925
	0.05%		0.05%		1.05%		2.06%

CITY OF WATERVILLE

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	2023	2022	2021	2020
Police:				
Contractually required contribution	$ 4,386	$ 4,148	$ 4,240	$ 3,705
Contributions in relation to the contractually required contribution	(4,386)	(4,148)	(4,240)	(3,705)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 877,253	$ 829,637	$ 847,921	$ 741,011
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%
Fire:				
Contractually required contribution	$ 3,150	$ 2,384	$ 1,673	$ 412
Contributions in relation to the contractually required contribution	(3,150)	(2,384)	(1,673)	(412)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 630,068	$ 476,834	$ 334,506	$ 82,362
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2019		2018		2017		2016		2015		2014	
$	3,565	$	3,902	$	3,723	$	3,325	$	3,511	$	3,459
	(3,565)		(3,902)		(3,723)		(3,325)		(3,511)		(3,459)
$	-	$	-	$	-	$	-	$	-	$	-
$	713,026	$	780,453	$	744,563	$	665,037	$	702,142	$	691,784
	0.50%		0.50%		0.50%		0.50%		0.50%		0.50%
$	368	$	726	$	666	$	579	$	481	$	287
	(368)		(726)		(666)		(579)		(481)		(287)
$	-	$	-	$	-	$	-	$	-	$	-
$	73,596	$	145,209	$	133,136	$	115,757	$	96,183	$	57,319
	0.50%		0.50%		0.50%		0.50%		0.50%		0.50%

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.
- There were no changes in benefit terms from the amounts reported for 2023.

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%.
- There were no changes in assumptions for 2023.

(Continued)

PENSION

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2014.
- There were no changes in benefit terms from the amounts reported for 2015.
- There were no changes in benefit terms from the amounts reported for 2016.
- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- There were no changes in benefit terms from the amounts reported for 2019.
- There were no changes in benefit terms from the amounts reported for 2020.
- There were no changes in benefit terms from the amounts reported for 2021.
- There were no changes in benefit terms from the amounts reported for 2022.
- There were no changes in benefit terms from the amounts reported for 2023.

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%.
- For 2023, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the mortality rates were changed from the RP-2014 Total Employee and Healthy Annuitant mortality tables to various Pub-2010 mortality tables using the MP-2021 Improvement Scale.

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- There were no changes in benefit terms from the amounts reported for 2019.
- There were no changes in benefit terms from the amounts reported for 2020.
- For 2021, the following were the most significant changes in benefit terms since the prior measurement date: the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care Plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.
- There were no changes in benefit terms from the amounts reported for 2022.
- There were no changes in benefit terms from the amounts reported for 2023.

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 10.50%, 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 10.50%, 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.
- For 2023, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 6.00% to 5.22%, (b) the municipal bond rate was changed from 1.84% to 4.05% and (c) the health care cost trend rate was changed from 5.50% initial, 3.50% ultimate in 2034 to 5.50% initial, 3.50% ultimate in 2036.

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2017.
- There were no changes in benefit terms from the amounts reported for 2018.
- For 2019, OP&F changed its retiree health care model from a self-insured health care plan to a stipend-based health care model.
- There were no changes in benefit terms from the amounts reported for 2020.
- There were no changes in benefit terms from the amounts reported for 2021.
- There were no changes in benefit terms from the amounts reported for 2022.
- There were no changes in benefit terms from the amounts reported for 2023.

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%.
- For 2023, 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 changed from 2.84% to 4.27% and (b) the mortality rates were changed from the RP-2014 Total Employee and Healthy Annuitant mortality tables to to various Pub-2010 mortality tables using the MP-2021 Improvement Scale.

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

City of Waterville
Lucas County
25 North Second Street
Waterville, Ohio 43566

To the Members of Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waterville, Lucas County, (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 27, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

BHM CPA Group

BHM CPA Group,
Circleville, Ohio

June 27, 2024

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF WATERVILLE

LUCAS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 12/26/2024

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