



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF WAUSEON
FULTON COUNTY**

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CITY OF WAUSEON
FULTON COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

City of Wauseon
Fulton County
230 Clinton Street
Wauseon, Ohio 43567-2104

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wauseon, Fulton County, Ohio (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the 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, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 15 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2021, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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.



Keith Faber
Auditor of State
Columbus, Ohio

October 20, 2021

CITY OF WAUSEON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2020

Unaudited

The discussion and analysis of the City of Wauseon's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2020. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2020 are as follows:

- ❑ In total, net position decreased \$588,178. Net position of governmental activities decreased \$249,890, which represents a 2% change from 2019. Net position of business-type activities decreased \$338,288 or approximately 2% from 2019.
- ❑ General revenues accounted for \$5,414,313 in revenue or 49% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,685,548, 51% of total revenues of \$11,099,861.
- ❑ The City had \$8,159,127 in expenses related to governmental activities; only \$2,546,163 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$5,363,074 were not adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$6,163,796 in revenues and other financing sources, and \$5,172,972 in expenditures. The general fund's fund balance increased from \$36,188 to \$1,028,214.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

CITY OF WAUSEON, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2020*

Unaudited

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities, and deferred outflows/inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position is one way to measure the City's financial health.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets.

The government-wide financial statements of the City are divided into two categories:

- *Governmental Activities* – Most of the City's program's and services are reported here including security of persons and property, basic utility services, leisure time activities, community environment, transportation and general government.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water and wastewater services are reported as business-type activities.

Fund Financial Statements

Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The governmental fund financial statements provide separate information for the General and Income Tax Capital Improvement funds, both of which are considered major funds. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

CITY OF WAUSEON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2020

Unaudited

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The proprietary fund financial statements provide separate information for the Water and Wastewater funds, both of which are considered major funds.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net position for 2020 compared to 2019.

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|----------------------------|--------------|-----------------------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Current and Other Assets | \$6,983,113 | \$6,160,535 | \$3,930,394 | \$4,099,000 | \$10,913,507 | \$10,259,535 |
| Capital Assets, Net | 16,680,672 | 16,988,565 | 15,380,163 | 15,581,378 | 32,060,835 | 32,569,943 |
| Total Assets | 23,663,785 | 23,149,100 | 19,310,557 | 19,680,378 | 42,974,342 | 42,829,478 |
| Deferred Outflows of Resources | 2,956,147 | 3,864,486 | 304,990 | 520,729 | 3,261,137 | 4,385,215 |
| Net Pension Liability | 6,492,445 | 7,597,816 | 1,145,583 | 1,558,144 | 7,638,028 | 9,155,960 |
| Net OPEB Liability | 1,878,555 | 1,668,768 | 791,830 | 732,705 | 2,670,385 | 2,401,473 |
| Long-term Liabilities | 1,974,727 | 2,401,346 | 2,320,848 | 2,675,896 | 4,295,575 | 5,077,242 |
| Other Liabilities | 304,724 | 162,959 | 205,871 | 76,194 | 510,595 | 239,153 |
| Total Liabilities | 10,650,451 | 11,830,889 | 4,464,132 | 5,042,939 | 15,114,583 | 16,873,828 |
| Deferred Inflows of Resources | 1,844,905 | 808,231 | 355,739 | 24,204 | 2,200,644 | 832,435 |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 14,987,672 | 14,913,565 | 13,130,952 | 13,034,056 | 28,118,624 | 27,947,621 |
| Restricted | 2,933,774 | 2,650,259 | 0 | 0 | 2,933,774 | 2,650,259 |
| Unrestricted (Deficit) | (3,796,870) | (3,189,358) | 1,664,724 | 2,099,908 | (2,132,146) | (1,089,450) |
| Total Net Position | \$14,124,576 | \$14,374,466 | \$14,795,676 | \$15,133,964 | \$28,920,252 | \$29,508,430 |

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

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*.

CITY OF WAUSEON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2020***

Unaudited

GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability 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 and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

CITY OF WAUSEON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2020

Unaudited

Change in Net Position – The following table shows the change in net position for 2020 compared to 2019:

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services and Sales | \$1,438,293 | \$1,161,017 | \$3,139,385 | \$3,169,570 | \$4,577,678 | \$4,330,587 |
| Operating Grants and Contributions | 1,091,870 | 547,436 | 0 | 0 | 1,091,870 | 547,436 |
| Capital Grants and Contributions | 16,000 | 51,864 | 0 | 0 | 16,000 | 51,864 |
| Total Program Revenues | <u>2,546,163</u> | <u>1,760,317</u> | <u>3,139,385</u> | <u>3,169,570</u> | <u>5,685,548</u> | <u>4,929,887</u> |
| General revenues: | | | | | | |
| Property Taxes | 568,125 | 547,332 | 0 | 0 | 568,125 | 547,332 |
| Income Taxes | 3,882,992 | 3,959,019 | 0 | 0 | 3,882,992 | 3,959,019 |
| Intergovernmental Revenues, Unrestricted | 680,370 | 238,717 | 0 | 0 | 680,370 | 238,717 |
| Investment Earnings | 128,235 | 71,520 | 51,239 | 77,162 | 179,474 | 148,682 |
| Miscellaneous | 103,352 | 124,693 | 0 | 0 | 103,352 | 124,693 |
| Total General Revenues | <u>5,363,074</u> | <u>4,941,281</u> | <u>51,239</u> | <u>77,162</u> | <u>5,414,313</u> | <u>5,018,443</u> |
| Total Revenues | <u>7,909,237</u> | <u>6,701,598</u> | <u>3,190,624</u> | <u>3,246,732</u> | <u>11,099,861</u> | <u>9,948,330</u> |
| Program Expenses | | | | | | |
| Security of Persons and Property | 4,650,829 | 1,640,531 | 0 | 0 | 4,650,829 | 1,640,531 |
| Basic Utility Services | 110,007 | 98,150 | 0 | 0 | 110,007 | 98,150 |
| Leisure Time Activities | 864,882 | 917,658 | 0 | 0 | 864,882 | 917,658 |
| Community Environment | 148,231 | 152,070 | 0 | 0 | 148,231 | 152,070 |
| Transportation | 1,170,466 | 1,160,563 | 0 | 0 | 1,170,466 | 1,160,563 |
| General Government | 1,137,756 | 901,501 | 0 | 0 | 1,137,756 | 901,501 |
| Interest and Fiscal Charges | 76,956 | 86,542 | 0 | 0 | 76,956 | 86,542 |
| Water | 0 | 0 | 1,870,528 | 1,696,206 | 1,870,528 | 1,696,206 |
| Wastewater | 0 | 0 | 1,658,384 | 1,967,803 | 1,658,384 | 1,967,803 |
| Total Expenses | <u>8,159,127</u> | <u>4,957,015</u> | <u>3,528,912</u> | <u>3,664,009</u> | <u>11,688,039</u> | <u>8,621,024</u> |
| Total Change in Net Position | <u>(249,890)</u> | <u>1,744,583</u> | <u>(338,288)</u> | <u>(417,277)</u> | <u>(588,178)</u> | <u>1,327,306</u> |
| Beginning Net Position | 14,374,466 | 12,629,883 | 15,133,964 | 15,551,241 | 29,508,430 | 28,181,124 |
| Ending Net Position | <u>\$14,124,576</u> | <u>\$14,374,466</u> | <u>\$14,795,676</u> | <u>\$15,133,964</u> | <u>\$28,920,252</u> | <u>\$29,508,430</u> |

Governmental Activities

Net position of governmental activities decreased \$249,890, or 2%. An increase in charges for services can be attributed to an increase in fire service fees, as a result of changes in contractual agreements with the townships. An increase in operating grants can be attributed to Coronavirus Relief Funding. An increase in unrestricted intergovernmental revenues can be attributed to refunds received from the Ohio Bureau of Workers' Compensation.

A substantial decrease in security of persons and property expense in the prior year due to a decrease in the Ohio Police and Fire net OPEB liability, resulted in a subsequent increase in security of persons and property expense in the current year.

CITY OF WAUSEON, OHIO

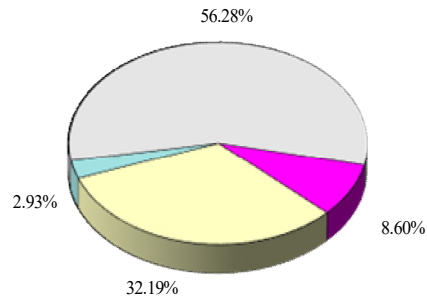
**Management's Discussion and Analysis
For the Year Ended December 31, 2020**

Unaudited

The City receives an income tax, which is based on 1.5% of all salaries, wages, commissions and other compensation and on net profits earned by residents both in and out of the City and to earnings of non-residents (except certain transients) earned in the City.

Income taxes and property taxes made up 49% and 7% respectively of revenues for governmental activities in 2020. The City's reliance upon tax revenues is demonstrated by the following graph indicating 56% of total revenues from general tax revenues:

| Revenue Sources | 2020 | Percent of Total |
|---------------------------------|--------------------|---------------------|
| General Tax Revenues | \$4,451,117 | 56.28% |
| Intergovernmental, Unrestricted | 680,370 | 8.60% |
| Program Revenues | 2,546,163 | 32.19% |
| General Other | 231,587 | 2.93% |
| Total Revenue | <u>\$7,909,237</u> | <u>100.00%</u> |



Business-Type Activities

Net position of business-type activities decreased \$338,288. This represents a change of approximately 2% from the previous year. Revenues and expenses remained consistent with the previous year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$4,611,872, which is an increase from last year's balance of \$3,901,794. The schedule below indicates the fund balance and the total change in fund balance at December 31, 2020 and 2019:

| | Fund Balance December 31, 2020 | Fund Balance December 31, 2019 | Increase (Decrease) |
|--------------------------------|-----------------------------------|-----------------------------------|------------------------|
| General | \$1,028,214 | \$36,188 | \$992,026 |
| Income Tax Capital Improvement | 1,982,841 | 2,492,765 | (509,924) |
| Other Governmental | 1,600,817 | 1,372,841 | 227,976 |
| Total | <u>\$4,611,872</u> | <u>\$3,901,794</u> | <u>\$710,078</u> |

CITY OF WAUSEON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2020**

Unaudited

General Fund – The City's General Fund balance change is due to several factors. The tables that follow assist in illustrating the financial activities of the General Fund:

| | 2020 Revenues | 2019 Revenues | Increase (Decrease) |
|---------------------------|--------------------|--------------------|------------------------|
| Taxes | \$3,481,289 | \$3,205,957 | \$275,332 |
| Intergovernmental Revenue | 727,779 | 276,409 | 451,370 |
| Charges for Services | 1,307,086 | 1,031,839 | 275,247 |
| Licenses and Permits | 90,555 | 84,646 | 5,909 |
| Investment Earnings | 48,242 | 63,098 | (14,856) |
| Fines and Forfeitures | 14,568 | 19,938 | (5,370) |
| All Other Revenue | 94,277 | 96,547 | (2,270) |
| Total | \$5,763,796 | \$4,778,434 | \$985,362 |

General Fund revenues increased approximately 21% when compared to revenues in 2019. The City began allocating 100% of income tax revenues to the General Fund in November 2020, which resulted in an increase in tax revenue. An increase in charges for services can be attributed to an increase in fire service fees, as a result of changes in contractual agreements with the townships. Intergovernmental revenues increased due to refunds received from the Ohio Bureau of Workers' Compensation.

| | 2020 Expenditures | 2019 Expenditures | Increase (Decrease) |
|----------------------------------|----------------------|----------------------|------------------------|
| Security of Persons and Property | \$3,260,535 | \$3,570,711 | (\$310,176) |
| Basic Utility Services | 54,550 | 41,038 | 13,512 |
| Leisure Time Activities | 599,004 | 614,769 | (15,765) |
| Community Environment | 96,951 | 93,764 | 3,187 |
| Transportation | 360,006 | 339,112 | 20,894 |
| General Government | 800,041 | 696,001 | 104,040 |
| Capital Outlay | 1,885 | 1,247 | 638 |
| Total | \$5,172,972 | \$5,356,642 | (\$183,670) |

General Fund expenditures decreased \$183,670, or 3% when compared with the previous year. A decrease in security of persons and property was due to a portion of police and fire expenditures being funded from the Coronavirus Relief Fund. An increase in general government was the result of various minor increases across multiple departments.

CITY OF WAUSEON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2020***

Unaudited

Income Tax Capital Improvement Fund – The Income Tax Capital Improvement fund balance decreased approximately 20%. The City began allocating 100% of income tax revenues to the General Fund in November 2020, which resulted in a decrease in tax revenue.

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of 2020 the City amended its General Fund budget several times.

For the General Fund, original budgeted, final budgeted, and actual budget basis revenues were not materially different. Final budgeted expenditures were 10% less than original estimates, due to changes in security of persons and property and leisure time activities. A portion of police and fire expenditures were funded by the Coronavirus Relief Fund. Leisure time activities budgeted expenditures were revised due to limited recreational activity, caused by the pandemic.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020 the City had \$32,060,835 net of accumulated depreciation invested in land, buildings, improvements, infrastructure, equipment and vehicles. Of this total, \$16,680,672 was related to governmental activities and \$15,380,163 to the business-type activities. The following tables show 2020 and 2019 balances:

| | Governmental Activities | | Increase (Decrease) |
|-----------------------------------|----------------------------|--------------|------------------------|
| | 2020 | 2019 | |
| Land | \$1,667,379 | \$1,667,379 | \$0 |
| Construction In Progress | 92,844 | 0 | 92,844 |
| Buildings | 6,213,491 | 6,117,632 | 95,859 |
| Improvements Other than Buildings | 3,873,694 | 3,868,014 | 5,680 |
| Machinery and Equipment | 5,108,157 | 4,818,267 | 289,890 |
| Infrastructure | 11,706,132 | 11,643,132 | 63,000 |
| Less: Accumulated Depreciation | (11,981,025) | (11,125,859) | (855,166) |
| Totals | \$16,680,672 | \$16,988,565 | (\$307,893) |

Governmental activities capital asset activity included roof top HVAC units on the municipal building and storm sewer improvements on Leggett Street. Machinery and equipment activity included vehicle and equipment purchases in the police, public works and parks departments.

CITY OF WAUSEON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2020**

Unaudited

| | Business-Type Activities | | Increase (Decrease) |
|-----------------------------------|-----------------------------|--------------|------------------------|
| | 2020 | 2019 | |
| Land | \$103,710 | \$103,710 | \$0 |
| Construction in Progress | 26,995 | 59,586 | (32,591) |
| Buildings | 9,572,180 | 9,572,180 | 0 |
| Improvements other than Building: | 16,220,298 | 15,687,605 | 532,693 |
| Machinery and Equipment | 6,783,830 | 6,699,557 | 84,273 |
| Less: Accumulated Depreciation | (17,326,850) | (16,541,260) | (785,590) |
| Totals | \$15,380,163 | \$15,581,378 | (\$201,215) |

Business-type additions to capital assets included replacement of the South Shoop Water line, a lime slaker and SCADA equipment at the water treatment plant.

Additional information on the City's capital assets can be found in Note 7.

Debt and Other Long-Term Obligations

The following table summarizes the City's debt and other long-term obligations outstanding as of December 31, 2020 and 2019:

| | 2020 | 2019 |
|---------------------------------------|-------------|-------------|
| Governmental Activities: | | |
| General Obligation Bonds | \$1,630,000 | \$2,075,000 |
| Compensated Absences | 344,727 | 326,346 |
| Total Governmental Activities | 1,974,727 | 2,401,346 |
| Business-Type Activities: | | |
| Ohio Water Development Authority Loan | 1,885,381 | 2,047,322 |
| Long Term Note Payable | 245,000 | 500,000 |
| Compensated Absences | 190,467 | 128,574 |
| Total Business-Type Activities | 2,320,848 | 2,675,896 |
| Totals | \$4,295,575 | \$5,077,242 |

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2020, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 10.

CITY OF WAUSEON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2020***

Unaudited

ECONOMIC FACTORS

The City of Wauseon is the county seat of Fulton County, located in the northwest corner of Ohio. The City's main source of revenue is a 1.5% income tax levied on residents of the City and nonresidents working within the City. Income tax revenues collected are allocated between the General Fund and the Capital Projects Fund. Beginning in November of 2020 the city began allocating all income tax revenue to the General Fund with the intention of transferring the necessary funds for future improvements at the end of the year. Income tax receipts for 2020 decreased approximately 3.94% compared to 2019.

The City continues to experience economic decreases since a local auto manufacturer lost a large contract. The decreases experienced in 2018 and 2019 were due to a decrease in income tax withholding from this specific manufacturer. In 2020 the city experienced a decrease in income tax revenue due to the Corona Virus Pandemic. Several businesses were shut-down for at least two months in the spring of 2020 causing a significant decrease in income tax revenue in April 2020. The City, like the rest of the world, experienced a decrease in revenue, but was lucky enough to receive relief funds to maintain our budget and keep our staff employed. The City continues to use conservative budgeting to off-set this decrease and the general economic climate. Continued employment is key to the stability and growth of the City's revenue stream.

The two types of employers with the largest number of employees are manufacturing and governmental/health.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. Questions about this report or the need for additional financial information should be directed to Jamie L. Giguere, Director of Finance, City of Wauseon at 419-335-9022 or jamie.giguere@cityofwauseon.com.

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CITY OF WAUSEON, OHIO

Statement of Net Position
December 31, 2020

| | Governmental Activities | Business-Type Activities | Total |
|--|------------------------------------|-------------------------------------|-------------------|
| Assets: | | | |
| Cash and Cash Equivalents | \$ 1,113,700 | \$ 596,231 | \$ 1,709,931 |
| Cash and Cash Equivalents in Segregated Accounts | 1,934 | 0 | 1,934 |
| Investments | 2,447,544 | 2,666,940 | 5,114,484 |
| Receivables: | | | |
| Taxes | 1,151,395 | 0 | 1,151,395 |
| Accounts | 93,814 | 369,762 | 463,576 |
| Intergovernmental | 364,042 | 0 | 364,042 |
| Special Assessments | 1,074,687 | 0 | 1,074,687 |
| Loans | 224,830 | 61,144 | 285,974 |
| Inventory of Supplies at Cost | 67,255 | 190,239 | 257,494 |
| Prepaid Items | 54,872 | 46,078 | 100,950 |
| Restricted Assets: | | | |
| Cash and Cash Equivalents | 263,773 | 0 | 263,773 |
| Cash and Cash Equivalents with Fiscal Agent | 125,267 | 0 | 125,267 |
| Non-Depreciable Capital Assets | 1,760,223 | 130,705 | 1,890,928 |
| Depreciable Capital Assets, Net | 14,920,449 | 15,249,458 | 30,169,907 |
| Total Assets | 23,663,785 | 19,310,557 | 42,974,342 |
| Deferred Outflows of Resources: | | | |
| Pension | 1,936,903 | 179,532 | 2,116,435 |
| OPEB | 1,019,244 | 125,458 | 1,144,702 |
| Total Deferred Outflows of Resources | 2,956,147 | 304,990 | 3,261,137 |
| Liabilities: | | | |
| Accounts Payable | 163,214 | 163,101 | 326,315 |
| Accrued Wages and Benefits | 134,394 | 37,702 | 172,096 |
| Intergovernmental Payable | 1,596 | 4,636 | 6,232 |
| Accrued Interest Payable | 5,520 | 432 | 5,952 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 330,528 | 521,266 | 851,794 |
| Due in More Than One Year: | | | |
| Net Pension Liability | 6,492,445 | 1,145,583 | 7,638,028 |
| Net OPEB Liability | 1,878,555 | 791,830 | 2,670,385 |
| Other Amounts Due in More Than One Year | 1,644,199 | 1,799,582 | 3,443,781 |
| Total Liabilities | 10,650,451 | 4,464,132 | 15,114,583 |

(Continued)

CITY OF WAUSEON, OHIO

| | Governmental Activities | Business-Type Activities | Total |
|--|------------------------------------|-------------------------------------|----------------------|
| Deferred Inflows of Resources: | | | |
| Property Tax Levy for Next Fiscal Year | 520,054 | 0 | 520,054 |
| Pension | 894,272 | 243,003 | 1,137,275 |
| OPEB | 430,579 | 112,736 | 543,315 |
| Total Deferred Inflows of Resources | <u>1,844,905</u> | <u>355,739</u> | <u>2,200,644</u> |
| Net Position: | | | |
| Net Investment in Capital Assets | 14,987,672 | 13,130,952 | 28,118,624 |
| Restricted For: | | | |
| Capital Projects | 1,074,687 | 0 | 1,074,687 |
| Other Purposes | 1,859,087 | 0 | 1,859,087 |
| Unrestricted (Deficit) | (3,796,870) | 1,664,724 | (2,132,146) |
| Total Net Position | <u>\$ 14,124,576</u> | <u>\$ 14,795,676</u> | <u>\$ 28,920,252</u> |

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

Statement of Activities
For the Year Ended December 31, 2020

| | Expenses | Program Revenues | | |
|---------------------------------------|----------------------|--------------------------------------|--|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| Security of Persons and Property | \$ 4,650,829 | \$ 1,213,842 | \$ 497,826 | \$ 0 |
| Basic Utility Services | 110,007 | 3,815 | 0 | 0 |
| Leisure Time Activities | 864,882 | 91,599 | 0 | 16,000 |
| Community Environment | 148,231 | 28,873 | 0 | 0 |
| Transportation | 1,170,466 | 0 | 509,856 | 0 |
| General Government | 1,137,756 | 100,164 | 84,188 | 0 |
| Interest and Fiscal Charges | 76,956 | 0 | 0 | 0 |
| Total Governmental Activities | 8,159,127 | 1,438,293 | 1,091,870 | 16,000 |
| Business-Type Activities: | | | | |
| Water | 1,870,528 | 1,675,349 | 0 | 0 |
| Wastewater | 1,658,384 | 1,464,036 | 0 | 0 |
| Total Business-Type Activities | 3,528,912 | 3,139,385 | 0 | 0 |
| Totals | \$ 11,688,039 | \$ 4,577,678 | \$ 1,091,870 | \$ 16,000 |

General Revenues

Property Taxes Levied for:
 General Purposes
 Parks and Recreation
 Income Taxes
 Intergovernmental Revenues, Unrestricted
 Investment Earnings
 Miscellaneous
 Total General Revenues

Change in Net Position

Net Position Beginning of Year
 Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

Net (Expense) Revenue
and Changes in Net Position

| Governmental Activities | Business-Type Activities | Total |
|----------------------------|-----------------------------|-----------------------|
| \$ (2,939,161) | \$ 0 | \$ (2,939,161) |
| (106,192) | 0 | (106,192) |
| (757,283) | 0 | (757,283) |
| (119,358) | 0 | (119,358) |
| (660,610) | 0 | (660,610) |
| (953,404) | 0 | (953,404) |
| (76,956) | 0 | (76,956) |
| <u>(5,612,964)</u> | <u>0</u> | <u>(5,612,964)</u> |
| 0 | (195,179) | (195,179) |
| 0 | (194,348) | (194,348) |
| 0 | (389,527) | (389,527) |
| <u>\$ (5,612,964)</u> | <u>\$ (389,527)</u> | <u>\$ (6,002,491)</u> |
| 258,162 | 0 | 258,162 |
| 309,963 | 0 | 309,963 |
| 3,882,992 | 0 | 3,882,992 |
| 680,370 | 0 | 680,370 |
| 128,235 | 51,239 | 179,474 |
| 103,352 | 0 | 103,352 |
| <u>5,363,074</u> | <u>51,239</u> | <u>5,414,313</u> |
| (249,890) | (338,288) | (588,178) |
| 14,374,466 | 15,133,964 | 29,508,430 |
| <u>\$ 14,124,576</u> | <u>\$ 14,795,676</u> | <u>\$ 28,920,252</u> |

CITY OF WAUSEON, OHIO

**Balance Sheet
Governmental Funds
December 31, 2020**

| | General | Income Tax Capital Improvement | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------------|--------------------------------|--------------------------------|
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 123,981 | \$ 476,253 | \$ 513,466 | \$ 1,113,700 |
| Cash and Cash Equivalents in Segregated Accounts | 0 | 0 | 1,934 | 1,934 |
| Investments | 374,774 | 1,513,199 | 559,571 | 2,447,544 |
| Receivables: | | | | |
| Taxes | 908,408 | 0 | 242,987 | 1,151,395 |
| Accounts | 93,814 | 0 | 0 | 93,814 |
| Intergovernmental | 121,058 | 0 | 242,984 | 364,042 |
| Special Assessments | 0 | 1,074,687 | 0 | 1,074,687 |
| Loans | 0 | 0 | 224,830 | 224,830 |
| Inventory of Supplies, at Cost | 28,128 | 0 | 39,127 | 67,255 |
| Prepaid Items | 51,947 | 0 | 2,925 | 54,872 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 0 | 0 | 263,773 | 263,773 |
| Cash and Cash Equivalents with Fiscal Agent | 0 | 0 | 125,267 | 125,267 |
| Total Assets | \$ 1,702,110 | \$ 3,064,139 | \$ 2,216,864 | \$ 6,983,113 |
| Liabilities: | | | | |
| Accounts Payable | \$ 77,493 | \$ 6,611 | \$ 79,110 | \$ 163,214 |
| Accrued Wages and Benefits Payable | 128,638 | 0 | 5,756 | 134,394 |
| Intergovernmental Payable | 1,596 | 0 | 0 | 1,596 |
| Total Liabilities | 207,727 | 6,611 | 84,866 | 299,204 |
| Deferred Inflows of Resources: | | | | |
| Unavailable Amounts | 187,462 | 1,074,687 | 289,834 | 1,551,983 |
| Property Tax Levy for Next Fiscal Year | 278,707 | 0 | 241,347 | 520,054 |
| Total Deferred Inflows of Resources | 466,169 | 1,074,687 | 531,181 | 2,072,037 |
| Fund Balance: | | | | |
| Nonspendable | 80,075 | 0 | 266,882 | 346,957 |
| Restricted | 0 | 0 | 1,333,935 | 1,333,935 |
| Committed | 0 | 1,982,841 | 0 | 1,982,841 |
| Assigned | 15,097 | 0 | 0 | 15,097 |
| Unassigned | 933,042 | 0 | 0 | 933,042 |
| Total Fund Balance | 1,028,214 | 1,982,841 | 1,600,817 | 4,611,872 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | \$ 1,702,110 | \$ 3,064,139 | \$ 2,216,864 | \$ 6,983,113 |

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Position Of Governmental Activities
December 31, 2020***

| | | |
|---|--------------------|-----------------------------|
| Total Governmental Fund Balances | | \$ 4,611,872 |
| <i>Amounts reported for governmental activities in the statement of net position are different because</i> | | |
| Capital Assets used in governmental activities are not resources and therefore are not reported in the funds. | | 16,680,672 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | 1,551,983 |
| The net pension/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 - Pension | 1,936,903 | |
| Deferred Inflows - Pension | (894,272) | |
| Net Pension Liability | (6,492,445) | |
| Deferred Outflows - OPEB | 1,019,244 | |
| Deferred Inflows - OPEB | (430,579) | |
| Net OPEB Liability | <u>(1,878,555)</u> | (6,739,704) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| General Obligation Bonds Payable | (1,630,000) | |
| Compensated Absences Payable | (344,727) | |
| Accrued Interest Payable | <u>(5,520)</u> | <u>(1,980,247)</u> |
| <i>Net Position of Governmental Activities</i> | | <u>\$ 14,124,576</u> |

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020**

| | General | Income Tax Capital Improvement | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------------|--------------------------------|--------------------------------|
| Revenues: | | | | |
| Taxes | \$ 3,481,289 | \$ 687,866 | \$ 310,980 | \$ 4,480,135 |
| Intergovernmental Revenue | 727,779 | 16,000 | 1,012,746 | 1,756,525 |
| Charges for Services | 1,307,086 | 0 | 0 | 1,307,086 |
| Licenses and Permits | 90,555 | 0 | 0 | 90,555 |
| Investment Earnings | 48,242 | 74,549 | 5,444 | 128,235 |
| Special Assessments | 0 | 0 | 17,578 | 17,578 |
| Fines and Forfeitures | 14,568 | 0 | 11,506 | 26,074 |
| All Other Revenue | 94,277 | 4,599 | 4,476 | 103,352 |
| Total Revenue | 5,763,796 | 783,014 | 1,362,730 | 7,909,540 |
| Expenditures: | | | | |
| Current: | | | | |
| Security of Persons and Property | 3,260,535 | 0 | 395,885 | 3,656,420 |
| Basic Utility Services | 54,550 | 0 | 0 | 54,550 |
| Leisure Time Activities | 599,004 | 0 | 6,545 | 605,549 |
| Community Environment | 96,951 | 18,810 | 23,002 | 138,763 |
| Transportation | 360,006 | 0 | 350,316 | 710,322 |
| General Government | 800,041 | 0 | 84,188 | 884,229 |
| Capital Outlay | 1,885 | 651,891 | 0 | 653,776 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 0 | 445,000 | 445,000 |
| Interest & Fiscal Charges | 0 | 0 | 77,695 | 77,695 |
| Total Expenditures | 5,172,972 | 670,701 | 1,382,631 | 7,226,304 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | | | | |
| | 590,824 | 112,313 | (19,901) | 683,236 |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 400,000 | 0 | 522,695 | 922,695 |
| Transfers Out | 0 | (622,237) | (300,458) | (922,695) |
| Total Other Financing Sources (Uses) | 400,000 | (622,237) | 222,237 | 0 |
| Net Change in Fund Balance | 990,824 | (509,924) | 202,336 | 683,236 |
| Fund Balance at Beginning of Year | 36,188 | 2,492,765 | 1,372,841 | 3,901,794 |
| Increase in Inventory | 1,202 | 0 | 25,640 | 26,842 |
| Fund Balance End of Year | \$ 1,028,214 | \$ 1,982,841 | \$ 1,600,817 | \$ 4,611,872 |

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Year Ended December 31, 2020***

Net Change in Fund Balances - Total Governmental Funds \$ 683,236

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

| | | |
|----------------------|-------------|-----------|
| Capital Outlay | 714,333 | |
| Depreciation Expense | (1,005,520) | (291,187) |
| | | |

The net effect of various miscellaneous transactions involving capital assets (i.e. disposals and donations) is to increase net position.

| | | |
|--|--|----------|
| The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets. | | (16,706) |
|--|--|----------|

| | | |
|--|--|-------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (303) |
|--|--|-------|

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:

| | | |
|---------|---------|---------|
| Pension | 532,765 | |
| OPEB | 8,384 | 541,149 |
| | | |

Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension/OPEB expense in the statement of activities:

| | | |
|---------|-------------|-------------|
| Pension | (1,310,059) | |
| OPEB | (310,220) | (1,620,279) |
| | | |

The issuance of long-term debt (e.g. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | | |
|--|---------|---------|
| General Obligation Bond Principal Retirement | 445,000 | |
| Accrued Interest Payable | 739 | 445,739 |
| | | |

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

| | | |
|----------------------|----------|-------|
| Compensated Absences | (18,381) | |
| Change in Inventory | 26,842 | 8,461 |
| | | |

| | | |
|---|--|----------------------------|
| <i>Change in Net Position of Governmental Activities</i> | | <u>\$ (249,890)</u> |
|---|--|----------------------------|

See accompanying notes to the basic financial statements

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CITY OF WAUSEON, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2020**

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|--------------------|-------------------|---|
| Revenues: | | | | |
| Taxes | \$ 3,490,000 | \$ 3,260,212 | \$ 3,270,284 | \$ 10,072 |
| Intergovernmental Revenue | 251,400 | 229,500 | 231,065 | 1,565 |
| Charges for Services | 1,413,270 | 1,301,070 | 1,301,804 | 734 |
| Licenses and Permits | 4,000 | 12,200 | 11,295 | (905) |
| Investment Earnings | 80,000 | 48,000 | 48,242 | 242 |
| Fines and Forfeitures | 20,700 | 14,700 | 14,484 | (216) |
| All Other Revenues | 247,000 | 641,500 | 641,100 | (400) |
| Total Revenues | <u>5,506,370</u> | <u>5,507,182</u> | <u>5,518,274</u> | <u>11,092</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Security of Persons and Property | 3,797,022 | 3,254,627 | 3,240,515 | 14,112 |
| Basic Utility Services | 52,000 | 59,500 | 57,651 | 1,849 |
| Leisure Time Activities | 769,550 | 621,550 | 601,732 | 19,818 |
| Community Environment | 92,750 | 103,250 | 88,177 | 15,073 |
| Transportation | 330,000 | 369,000 | 357,054 | 11,946 |
| General Government | 791,226 | 836,626 | 803,447 | 33,179 |
| Capital Outlay | 6,500 | 6,500 | 1,885 | 4,615 |
| Total Expenditures | <u>5,839,048</u> | <u>5,251,053</u> | <u>5,150,461</u> | <u>100,592</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (332,678) | 256,129 | 367,813 | 111,684 |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 300,000 | 0 | 400,000 | 400,000 |
| Total Other Financing Sources (Uses): | <u>300,000</u> | <u>0</u> | <u>400,000</u> | <u>400,000</u> |
| Net Change in Fund Balance | (32,678) | 256,129 | 767,813 | 511,684 |
| Fund Balance at Beginning of Year | (343,695) | (343,695) | (343,695) | 0 |
| Prior Year Encumbrances | 41,428 | 41,428 | 41,428 | 0 |
| Fund Balance at End of Year | <u>\$ (334,945)</u> | <u>\$ (46,138)</u> | <u>\$ 465,546</u> | <u>\$ 511,684</u> |

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2020**

| | Business-Type Activities | | Total |
|---|--------------------------|-------------------|-------------------|
| | Enterprise Funds | | |
| | Water | Wastewater | |
| Assets: | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 197,192 | \$ 399,039 | \$ 596,231 |
| Investments | 562,082 | 2,104,858 | 2,666,940 |
| Receivables: | | | |
| Accounts | 185,539 | 184,223 | 369,762 |
| Loans | 61,144 | 0 | 61,144 |
| Inventory of Supplies at Cost | 171,132 | 19,107 | 190,239 |
| Prepaid Items | 12,942 | 33,136 | 46,078 |
| Total Current Assets | 1,190,031 | 2,740,363 | 3,930,394 |
| Noncurrent Assets: | | | |
| Capital Assets, Net | 7,589,814 | 7,790,349 | 15,380,163 |
| Total Assets | 8,779,845 | 10,530,712 | 19,310,557 |
| Deferred Outflows of Resources: | | | |
| Pension | 105,974 | 73,558 | 179,532 |
| OPEB | 74,054 | 51,404 | 125,458 |
| Total Deferred Outflows of Resources | 180,028 | 124,962 | 304,990 |
| Liabilities: | | | |
| Current Liabilities: | | | |
| Accounts Payable | 144,367 | 18,734 | 163,101 |
| Accrued Wages and Benefits | 21,862 | 15,840 | 37,702 |
| Intergovernmental Payable | 3,613 | 1,023 | 4,636 |
| Compensated Absences Payable - Current | 59,007 | 49,855 | 108,862 |
| Accrued Interest Payable | 432 | 0 | 432 |
| General Obligation Notes Payable | 245,000 | 0 | 245,000 |
| OWDA Loans Payable - Current | 19,700 | 147,704 | 167,404 |
| Total Current Liabilities | 493,981 | 233,156 | 727,137 |
| Noncurrent Liabilities: | | | |
| OWDA Loans Payable | 41,444 | 1,676,533 | 1,717,977 |
| Compensated Absences Payable | 38,519 | 43,086 | 81,605 |
| Net Pension Liability | 676,216 | 469,367 | 1,145,583 |
| Net OPEB Liability | 467,401 | 324,429 | 791,830 |
| Total Noncurrent Liabilities | 1,223,580 | 2,513,415 | 3,736,995 |
| Total Liabilities | 1,717,561 | 2,746,571 | 4,464,132 |

CITY OF WAUSEON, OHIO

| | Business-Type Activities | | Total |
|--|--------------------------|---------------------|----------------------|
| | Enterprise Funds | | |
| | Water | Wastewater | |
| Deferred Inflows of Resources: | | | |
| Pension | 143,438 | 99,565 | 243,003 |
| OPEB | 66,545 | 46,191 | 112,736 |
| Total Deferred Inflows of Resources | <u>209,983</u> | <u>145,756</u> | <u>355,739</u> |
| Net Position: | | | |
| Net Investment in Capital Assets | 7,164,840 | 5,966,112 | 13,130,952 |
| Unrestricted | (132,511) | 1,797,235 | 1,664,724 |
| Total Net Position | <u>\$ 7,032,329</u> | <u>\$ 7,763,347</u> | <u>\$ 14,795,676</u> |

See accompanying notes to the basic financial statements

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CITY OF WAUSEON, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2020**

| | Business-Type Activities | | Total |
|--|--------------------------|---------------------|----------------------|
| | Enterprise Funds | | |
| | Water | Wastewater | |
| Operating Revenues: | | | |
| Charges for Services | \$ 1,614,487 | \$ 1,439,309 | \$ 3,053,796 |
| Total Operating Revenues | <u>1,614,487</u> | <u>1,439,309</u> | <u>3,053,796</u> |
| Operating Expenses: | | | |
| Personal Services | 958,654 | 666,646 | 1,625,300 |
| Contractual Services | 191,277 | 162,284 | 353,561 |
| Materials and Supplies | 347,002 | 227,633 | 574,635 |
| Depreciation | 301,114 | 529,935 | 831,049 |
| Total Operating Expenses | <u>1,798,047</u> | <u>1,586,498</u> | <u>3,384,545</u> |
| Operating Loss | (183,560) | (147,189) | (330,749) |
| Non-Operating Revenues (Expenses): | | | |
| Interest Income | 14,257 | 36,982 | 51,239 |
| Interest and Fiscal Charges | (10,227) | (64,519) | (74,746) |
| Loss on Disposal of Capital Assets | (5,051) | 0 | (5,051) |
| Other Nonoperating Revenue | 60,862 | 24,727 | 85,589 |
| Other Nonoperating Expense | (57,203) | (7,367) | (64,570) |
| Total Non-Operating Revenues (Expenses) | <u>2,638</u> | <u>(10,177)</u> | <u>(7,539)</u> |
| Change in Net Position | (180,922) | (157,366) | (338,288) |
| Net Position Beginning of Year | 7,213,251 | 7,920,713 | 15,133,964 |
| Net Position End of Year | <u>\$ 7,032,329</u> | <u>\$ 7,763,347</u> | <u>\$ 14,795,676</u> |

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

***Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020***

| | Business-Type Activities Enterprise Funds | | Total |
|--|--|------------------|--------------------|
| | Water | Wastewater | |
| <u>Cash Flows from Operating Activities:</u> | | | |
| Cash Received from Customers | \$1,691,243 | \$1,462,505 | \$3,153,748 |
| Cash Payments for Goods and Services | (610,352) | (409,522) | (1,019,874) |
| Cash Payments to Employees | (748,992) | (612,923) | (1,361,915) |
| Net Cash Provided by Operating Activities | <u>331,899</u> | <u>440,060</u> | <u>771,959</u> |
| <u>Cash Flows from Capital and Related Financing Activities:</u> | | | |
| Acquisition and Construction of Assets | (511,959) | 0 | (511,959) |
| Notes Issued | 245,000 | 0 | 245,000 |
| Note Retirement | (500,000) | 0 | (500,000) |
| OWDA Loan Retirement | (19,049) | (142,892) | (161,941) |
| Interest Paid on All Debt | (14,139) | (64,519) | (78,658) |
| Net Cash Used by Capital and Related Financing Activities | <u>(800,147)</u> | <u>(207,411)</u> | <u>(1,007,558)</u> |
| <u>Cash Flows from Investing Activities:</u> | | | |
| Purchase of Investments | (562,082) | (2,104,858) | (2,666,940) |
| Sale of Investments | 800,561 | 1,821,382 | 2,621,943 |
| Receipts of Interest | 14,257 | 36,982 | 51,239 |
| Net Cash Provided (Used) by Investing Activities | <u>252,736</u> | <u>(246,494)</u> | <u>6,242</u> |
| Net Decrease in Cash and Cash Equivalents | (215,512) | (13,845) | (229,357) |
| Cash and Cash Equivalents at Beginning of Year | 412,704 | 412,884 | 825,588 |
| Cash and Cash Equivalents at End of Year | <u>\$197,192</u> | <u>\$399,039</u> | <u>\$596,231</u> |

(Continued)

CITY OF WAUSEON, OHIO

| | Business-Type Activities Enterprise Funds | | Total |
|--|--|------------------|------------------|
| | Water | Wastewater | |
| <u>Reconciliation of Operating Loss to Net Cash</u> | | | |
| <u>Provided by Operating Activities:</u> | | | |
| Operating Loss | (\$183,560) | (\$147,189) | (\$330,749) |
| Adjustments to Reconcile Operating Loss to | | | |
| Net Cash Provided by Operating Activities: | | | |
| Depreciation Expense | 301,114 | 529,935 | 831,049 |
| Miscellaneous Nonoperating Revenue | 76,887 | 24,727 | 101,614 |
| Miscellaneous Nonoperating Expense | (57,850) | (7,533) | (65,383) |
| Changes in Assets, Liabilities, and Deferred Outflows/Inflows: | | | |
| Increase in Accounts Receivable | (131) | (1,531) | (1,662) |
| Increase in Inventory | (6,155) | (9,994) | (16,149) |
| Increase in Prepaid Items | (5,532) | (8,436) | (13,968) |
| Decrease in Deferred Outflows of Resources | 113,966 | 101,773 | 215,739 |
| Increase (Decrease) in Accounts Payable | (2,238) | 5,704 | 3,466 |
| Increase in Accrued Wages and Benefits | 5,899 | 2,327 | 8,226 |
| Increase (Decrease) in Intergovernmental Payable | (647) | 431 | (216) |
| Increase in Compensated Absences Payable | 43,443 | 18,450 | 61,893 |
| Decrease in Net Pension Liability | (203,408) | (209,153) | (412,561) |
| Increase in Net OPEB Liability | 53,766 | 5,359 | 59,125 |
| Increase in Deferred Inflows of Resources | 196,345 | 135,190 | 331,535 |
| Total Adjustments | <u>515,459</u> | <u>587,249</u> | <u>1,102,708</u> |
| Net Cash Provided by Operating Activities | <u>\$331,899</u> | <u>\$440,060</u> | <u>\$771,959</u> |

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2020 the Water Fund had outstanding liabilities of \$118,830 for the purchase of certain capital assets.

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Wauseon (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution, the laws of the State of Ohio and its Charter. Wauseon became a city on April 20, 1981, and operates under a Council/Mayor form of government.

The financial statements are presented as of December 31, 2020 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, *"The Financial Reporting Entity,"* in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which include the following services: public safety, highways and streets, sanitation, health and social services, culture/recreation, public improvements, planning and zoning, and general administrative services. In addition, the City owns and operates a water treatment and distribution system and a wastewater treatment and collection system, which are reported as enterprise funds.

Jointly Governed Organizations

The City in conjunction with the Clinton Township Trustees formed the Wauseon Union Cemetery (the "Cemetery") under the authority of Ohio Revised Code Section 759.27. The Cemetery's Board of Trustees is composed of three members, one of whom is a member of the Board of Township Trustees and one a member of the Wauseon City Council. Funding for the Cemetery is provided by a tax levy on all real property located within Clinton Township. Taxes are collected by the County Auditor and remitted to the Board of Cemetery Trustees for use in the care and maintenance of the Cemetery.

The Wauseon Ohio Advanced Energy Improvement District (the District) is a not for profit entity established pursuant to Ohio Revised Code (ORC) Chapter 1710. The District was created by legislative action taken by participating political subdivisions and is governed by the District's board of trustees. The participating political subdivisions include Rupp Unlimited Property Partnership, LLC and the City of Wauseon. The District was established to develop and implement special energy improvement projects as defined by ORC Chapter 1710, and is therefore subject to special assessments. The City paid \$17,578 to the District in 2020.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

Governmental Funds - Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except the resources accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is on determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

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

Income Tax Capital Improvement Fund - This fund is used to account for the financial resources used for the major capital projects undertaken by the City.

Proprietary Funds

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The enterprise funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of these funds are included on the balance sheet. The enterprise funds operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. The City's major enterprise funds are:

Water Fund - This fund is used to account for the operation of the City's water service.

Wastewater Fund - This fund is used to account for the operation of the City's sanitary sewer service.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of 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 function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus.

The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and deferred outflows/inflows of resources and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. 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 specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenue considered susceptible to accrual at year end includes income taxes, interest on investments, loans and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services, and miscellaneous revenues, is recorded as revenue when received in cash because generally this revenue is not measurable until received.

Special assessment installments including related accrued interest, which are measurable but not available at December 31, are recorded as deferred inflows of resources. Property taxes measurable as of December 31, 2020 but which are not intended to finance 2020 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources. Property taxes are further described in Note 4.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The accrual basis of accounting is utilized for reporting purposes by the government wide financial statements and by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year. All funds other than custodial funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The legal level of budgetary control is at the fund, department, and object level. Budgetary modifications may only be made by ordinance or resolution of the City Council.

1. Tax Budget

Prior to fiscal year 2002, the Finance Director would submit an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget was submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year. Beginning in fiscal year 2002, this requirement was waived by the County Budget Commission.

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CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Prior to October 1, the City accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2020.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the fund, department, and object level. The budgetary figures which appear in the Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual Non-GAAP Budgetary Basis for the General Fund is provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting

The City's budgetary process accounts for the City's transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures on the budgetary basis.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

| | <u>Net Change in Fund Balance</u> |
|--|-----------------------------------|
| | <u>General Fund</u> |
| GAAP Basis (as reported) | \$990,824 |
| Increase (Decrease): | |
| Accrued Revenues at December 31, 2020 received during 2021 | (657,111) |
| Accrued Revenues at December 31, 2019 received during 2020 | 411,589 |
| Accrued Expenditures at December 31, 2020 paid during 2021 | 207,727 |
| Accrued Expenditures at December 31, 2019 paid during 2020 | (147,281) |
| 2019 Prepays for 2020 | 47,221 |
| 2020 Prepays for 2021 | (51,947) |
| Outstanding Encumbrances | <u>(33,209)</u> |
| Budget Basis | <u><u>\$767,813</u></u> |

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). The amounts in STAR Ohio are considered cash equivalents because they are highly liquid investments with original maturity dates of three months or less.

The City pools a majority of its cash for investment and resource management purposes, while maintaining some segregated funds. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintains its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. See Note 3, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" and GASB Statement No. 72, "Fair Value Measurement and Application," the City records all its investments at fair value except for nonparticipating investment contracts which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City allocates interest among the various funds as determined by City Ordinance. Interest revenue credited to the general fund during 2020 amounted to \$48,242, which includes \$41,240 assigned from other funds.

The City's investment in the State Treasury Asset Reserve of Ohio (STAR 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 and is recognized as an external investment pool by the City. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

CITY OF WAUSEON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inventory

On the government-wide financial statements and in the proprietary funds, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental funds when purchased.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at acquisition value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Property, Plant and Equipment – Business Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at acquisition value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Position and in the respective funds.

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

| <u>Description</u> | <u>Governmental and Business-Type Activities Estimated Lives (in years)</u> |
|--|---|
| Buildings | 30 |
| Improvements other than Buildings | 30 - 50 |
| Infrastructure | 30 |
| Machinery, Equipment, Furniture and Fixtures | 10 |

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

| <u>Obligation</u> | <u>Fund</u> |
|--|---|
| Ohio Water Development Authority Loans | Water Fund, Wastewater Fund |
| Compensated Absences | General Fund, Street Construction, Maintenance and Repair Fund, Water Fund, Wastewater Fund |
| Long Term Note Payable/GO Bonds | Bond Retirement Fund, Water Fund |

L. Compensated Absences

All full-time City employees earn vacation at varying rates based upon length of service. Ohio Law requires that vacation time not be accumulated for more than three years. However, City policy requires that all vacation time be used by the employee's anniversary date. Accrued vacation may be carried over with the written authorization of the department head. Employees with a minimum of one year of service become vested in accumulated unpaid vacation time. Unused vacation is payable upon termination of employment.

All full-time City employees earn sick leave at the rate of 1.25 days per calendar month of active service. Unused sick time may be accumulated until retirement. Police department employees with a minimum of ten years of service with the City are paid one-quarter of the accumulated sick time upon retirement to a maximum of 60 days wages. All other employees with a minimum of ten years of service with the City are paid 35% of the accumulated sick time upon retirement to a maximum of 60 days wages. Monetary compensation for accumulated unused vacation and/or sick leave is the hourly rate of compensation of the employee at the time of separation.

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," the City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered or to rights that vest or accumulate, and when payment of the obligation is probable and can be reasonably determined. For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected. In the government wide statement of net position, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

Compensated absences are expensed in the enterprise funds when earned and the related liability reported within the funds.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Position

Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on 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.

N. Pension/OPEB

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

O. Interfund Activity

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

P. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balances (Continued)

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority. For the City, these constraints consist of ordinances passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

Q. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water treatment and distribution and wastewater collection and treatment. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

R. 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 and that are either unusual in nature or infrequent in occurrence. The City had no special or extraordinary items to report during 2020.

S. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. For the City, deferred outflows of resources are reported for pension/OPEB amounts on the government-wide and proprietary funds statement of net position. See Notes 8 and 9.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension/OPEB are reported on the government-wide and proprietary funds statement of net position. See Notes 8 and 9.

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CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 2 – FUND BALANCE CLASSIFICATION

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

| Fund Balances | General Fund | Income Tax Capital Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|--|--------------------------------|--------------------------------|
| Nonspendable: | | | | |
| Loans Receivable | \$0 | \$0 | \$224,830 | \$224,830 |
| Prepaid Items | 51,947 | 0 | 2,925 | 54,872 |
| Supplies Inventory | 28,128 | 0 | 39,127 | 67,255 |
| Total Nonspendable | <u>80,075</u> | <u>0</u> | <u>266,882</u> | <u>346,957</u> |
| Restricted: | | | | |
| Street Improvements | 0 | 0 | 895,395 | 895,395 |
| Parks and Recreation | 0 | 0 | 42,223 | 42,223 |
| Coronavirus Relief | 0 | 0 | 93,022 | 93,022 |
| Drug and Alcohol Treatment and Education | 0 | 0 | 39,522 | 39,522 |
| Community Development and Improvement | 0 | 0 | 263,773 | 263,773 |
| Total Restricted | <u>0</u> | <u>0</u> | <u>1,333,935</u> | <u>1,333,935</u> |
| Committed: | | | | |
| Capital Improvements | 0 | 1,982,841 | 0 | 1,982,841 |
| Assigned: | | | | |
| Services and Supplies | 15,097 | 0 | 0 | 15,097 |
| Total Assigned | <u>15,097</u> | <u>0</u> | <u>0</u> | <u>15,097</u> |
| Unassigned: | | | | |
| Total Fund Balances | <u>\$1,028,214</u> | <u>\$1,982,841</u> | <u>\$1,600,817</u> | <u>\$4,611,872</u> |

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

The City maintains a cash and investments pool used by all funds except the Water Operating, Water Service Deposits, Wastewater Operating, Wastewater Debt Reserve, and the Revolving Loan Funds. Each fund type's portion of this pool is displayed on the Balance Sheet as "Cash and Cash Equivalents." The deposits and investments of the aforementioned funds are held separately from those of other City funds. Ohio law requires the classification of funds held by the City into three categories.

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "cash equivalent" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- 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 or interest by the United States;
- 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, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute.

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

At year end the carrying amount of the City's deposits was \$2,105,309 and the bank balance was \$2,179,493. Federal depository insurance covered the entire bank balance.

The City had restricted cash in the amount of \$263,773, which was related to the Community Development Block Grant Economic Development Revolving Loan Fund. In addition, the City had cash with fiscal agent in the amount of \$125,267, which was related to permissive tax monies held and secured by Fulton County. The City had petty cash in the amount of \$850.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The City's investments at December 31, 2020 are summarized below:

| | Fair Value | Credit Rating | Fair Value Hierarchy | Concentration of Credit Risk | Investment Maturities (in Years) | | |
|--------------------------|--------------------|-------------------------------------|----------------------|------------------------------|----------------------------------|--------------------|--------------------|
| | | | | | less than 1 | 1-3 | 3-5 |
| STAR Ohio ⁴ | \$169,479 | AAA ^m ¹ | NA | 3.40% | \$169,479 | \$0 | \$0 |
| Commercial Paper | 908,865 | A+/AA ¹ | Level 2 | 18.24% | 908,865 | 0 | 0 |
| Marketable CD's | 2,157,523 | AAA ³ | Level 2 | 43.29% | 89,398 | 1,648,074 | 420,051 |
| US Treasury Notes | 258,359 | AA+ ¹ / Aaa ² | Level 2 | 5.18% | 0 | 258,359 | 0 |
| FFCB | 976,466 | AA+ ¹ / Aaa ² | Level 2 | 19.59% | 0 | 400,111 | 576,355 |
| FNMA | 513,271 | AAA ¹ / Aaa ² | Level 2 | 10.30% | 0 | 0 | 513,271 |
| Total Investments | \$4,983,963 | | | 100.00% | \$1,167,742 | \$2,306,544 | \$1,509,677 |

¹ Standard & Poor's

² Moody's Investor Service

³ All are fully FDIC insured and therefore have an implied AAA credit rating

⁴ Reported at amortized cost

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Investment distribution is detailed in the table above.

Custodial Credit Risk – The City's balance of investments are held by the trust department of its banking institution in the City's name.

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) for purposes of this note is based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments on the financial statements and the classifications per items A and B of this note are as follows:

| | Cash and Cash Equivalents | Investments |
|--------------------------|------------------------------|--------------------|
| Per Financial Statements | \$2,100,905 | \$5,114,484 |
| Cash with Fiscal Agent | (125,267) | |
| Petty Cash | (850) | |
| Investments: | | |
| Star Ohio | (169,479) | 169,479 |
| Certificates of Deposit | 300,000 | (300,000) |
| Per GASB Statement No. 3 | <u>\$2,105,309</u> | <u>\$4,983,963</u> |

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property located in the City. Real property taxes (other than public utility) collected during 2020 were levied after October 1, 2019 on assessed values as of January 1, 2019, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2020. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Wauseon. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2020 was \$4.80 per \$1,000 of assessed value. The assessed value upon which the 2020 levy was based was \$140,871,550. This amount constitutes \$132,099,050 in real property assessed value and \$8,772,500 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of one percent of assessed value without a vote of the people. Under current procedures, the City's share is .48% (4.80 mills) of assessed value.

Real Estate Tax Abatements

The City provides tax incentives under one (1) program, the Community Reinvestment Area (CRA).

Pursuant to Ohio Revised Code Chapter 5709, the City established a Community Reinvestment Area. The City authorizes incentives through passage of public ordinances, based upon each business investment criteria and through a contractual application process with each business. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the Community Reinvestment Area gave the City the ability to maintain and expand business located within the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate and includes major housing improvements in specified areas.

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 4 - TAXES (Continued)

A. Property Taxes (Continued)

Currently, there are numerous businesses participating in this program.

The City has offered the CRA abatements to encourage economic stability, maintain property values, and generate new employment opportunities and population growth.

Below is information relevant to the disclosure of this program for the year ending December 31, 2020.

| <u>Tax Abatement Program</u> | <u>Total Amount of Taxes Abated For the year 2020</u> |
|--|---|
| <i>Community Reinvestment Area (CRA)</i> | |
| Manufacturing/Commercial | <u>\$12,316</u> |
| | <u><u>\$12,316</u></u> |

B. Income Tax

The City levies a tax of one and one half percent on all salaries, wages, and other compensation earned by residents both in and out of the City and to earnings of non-residents (except certain transients) earned in the City. The tax also applies to the net income earned by business organizations on work conducted within the City of Wauseon. Income tax revenue is accounted for through the General and Income Tax Capital Improvement Funds.

NOTE 5 - RECEIVABLES

Receivables at December 31, 2020 consisted of taxes, accounts receivable, special assessments, loans receivable and intergovernmental receivables arising from shared revenues. All receivables other than those offset by deferred inflows are considered collectible in full.

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CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 6 – INTERFUND ACTIVITY

Following is a summary of transfers in and out for all funds for 2020:

| Fund | Transfer In | Transfer Out |
|-------------------------------------|------------------|------------------|
| General Fund | \$400,000 | \$0 |
| Income Tax Capital Improvement Fund | 0 | 622,237 |
| Other Governmental Funds | 522,695 | 300,458 |
| Totals | <u>\$922,695</u> | <u>\$922,695</u> |

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; and to transfer capital assets.

NOTE 7 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2020:

Historical Cost:

| Class | December 31, 2019 | Additions | Deletions | December 31, 2020 |
|--|----------------------|------------------|--------------------|----------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$1,667,379 | \$0 | \$0 | \$1,667,379 |
| Construction in Progress | 0 | 92,844 | 0 | 92,844 |
| Subtotal | 1,667,379 | 92,844 | 0 | 1,760,223 |
| Capital assets being depreciated: | | | | |
| Buildings | 6,117,632 | 95,859 | 0 | 6,213,491 |
| Improvements Other than Buildings | 3,868,014 | 101,999 | (96,319) | 3,873,694 |
| Machinery and Equipment | 4,818,267 | 360,631 | (70,741) | 5,108,157 |
| Infrastructure | 11,643,132 | 63,000 | 0 | 11,706,132 |
| Subtotal | 26,447,045 | 621,489 | (167,060) | 26,901,474 |
| Total Cost | <u>\$28,114,424</u> | <u>\$714,333</u> | <u>(\$167,060)</u> | <u>\$28,661,697</u> |

Accumulated Depreciation:

| Class | December 31, 2019 | Additions | Deletions | December 31, 2020 |
|-----------------------------------|-----------------------|------------------------|------------------|-----------------------|
| Buildings | (\$2,781,008) | (\$162,450) | \$0 | (\$2,943,458) |
| Improvements Other than Buildings | (1,513,454) | (162,412) | 86,687 | (1,589,179) |
| Machinery and Equipment | (2,850,598) | (335,454) | 63,667 | (3,122,385) |
| Infrastructure | (3,980,799) | (345,204) | 0 | (4,326,003) |
| Total Accumulated Depreciation | <u>(\$11,125,859)</u> | <u>(\$1,005,520) *</u> | <u>\$150,354</u> | <u>(\$11,981,025)</u> |
| Net Value: | <u>\$16,988,565</u> | | | <u>\$16,680,672</u> |

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 7 - CAPITAL ASSETS (Continued)

A. Governmental Activities Capital Assets (Continued)

* Depreciation was charged to governmental functions as follows:

| | |
|----------------------------------|--------------------|
| Security of Persons and Property | \$134,013 |
| Basic Utility Services | 50,359 |
| Leisure Time Activities | 217,862 |
| Transportation | 493,389 |
| General Government | 109,897 |
| Total Depreciation Expense | <u>\$1,005,520</u> |

Under GASB Statement No. 34, the City is not required to retroactively report infrastructure assets. Only infrastructure capital assets acquired or constructed beginning in 2003 are reflected in the basic financial statements for the year ended December 31, 2020.

B. Business-Type Activities Capital Assets

Summary by category of changes in business-type activities capital assets at December 31, 2020:

Historical Cost:

| Class | December 31, 2019 | Additions | Deletions | December 31, 2020 |
|--|----------------------|------------------|--------------------|----------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$103,710 | \$0 | \$0 | \$103,710 |
| Construction in Progress | 59,586 | 26,995 | (59,586) | 26,995 |
| Subtotal | 163,296 | 26,995 | (59,586) | 130,705 |
| Capital assets being depreciated: | | | | |
| Buildings | 9,572,180 | 0 | 0 | 9,572,180 |
| Improvements other than Buildings | 15,687,605 | 532,693 | 0 | 16,220,298 |
| Machinery and Equipment | 6,699,557 | 134,783 | (50,510) | 6,783,830 |
| Subtotal | 31,959,342 | 667,476 | (50,510) | 32,576,308 |
| Total Cost | <u>\$32,122,638</u> | <u>\$694,471</u> | <u>(\$110,096)</u> | <u>\$32,707,013</u> |

Accumulated Depreciation:

| Class | December 31, 2019 | Additions | Deletions | December 31, 2020 |
|-----------------------------------|-----------------------|--------------------|-----------------|-----------------------|
| Buildings | (\$5,437,246) | (\$255,737) | \$0 | (\$5,692,983) |
| Improvements other than Buildings | (6,442,246) | (383,103) | 0 | (6,825,349) |
| Machinery and Equipment | (4,661,768) | (192,209) | 45,459 | (4,808,518) |
| Total Accumulated Depreciation | <u>(\$16,541,260)</u> | <u>(\$831,049)</u> | <u>\$45,459</u> | <u>(\$17,326,850)</u> |
| Net Value: | <u>\$15,581,378</u> | | | <u>\$15,380,163</u> |

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 8 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The 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 represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. 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 were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

| Group A | Group B | Group C |
|---|---|---|
| Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Members not in other Groups and members hired on or after January 7, 2013 |
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| 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 | 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 | 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 |

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.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member’s FAS for the first 30 years of service.

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member’s FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3.00% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS’s Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member’s contributions plus or minus the investment gains or losses resulting from the member’s investment selections. The amount available for defined contribution benefits in the 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% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

| | <u>State and Local</u> |
|--|----------------------------|
| 2020 Statutory Maximum Contribution Rates | |
| Employer | 14.0 % |
| Employee | 10.0 % |
| 2020 Actual Contribution Rates | |
| Employer: | |
| Pension | 14.0 % |
| Post-employment Health Care Benefits | <u>0.0</u> |
| Total Employer | <u>14.0 %</u> |
| Employee | <u>10.0 %</u> |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$294,113 for 2020.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF 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 OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF 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 and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3.00% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3.00% of their base pension or disability benefit.

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

| | <u>Police</u> | <u>Firefighters</u> |
|--|----------------|---------------------|
| 2020 Statutory Maximum Contribution Rates | | |
| Employer | 19.50 % | 24.00 % |
| Employee: | | |
| January 1, 2020 through December 31, 2020 | 12.25 % | 12.25 % |
| 2020 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-employment Health Care Benefits | 0.50 | 0.50 |
| Total Employer | <u>19.50 %</u> | <u>24.00 %</u> |
| Employee: | | |
| January 1, 2020 through December 31, 2020 | 12.25 % | 12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$356,996 for 2020.

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

The net pension liability for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF’s total pension liability was measured as of December 31, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|--|------------------|------------------|--------------|
| Proportionate Share of the Net Pension Liability | \$2,847,052 | \$4,790,976 | \$7,638,028 |
| Proportion of the Net Pension Liability-2020 | 0.014404% | 0.071119% | |
| Proportion of the Net Pension Liability-2019 | <u>0.014048%</u> | <u>0.065034%</u> | |
| Percentage Change | <u>0.000356%</u> | <u>0.006085%</u> | |
| Pension Expense | \$537,586 | \$981,615 | \$1,519,201 |

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|--|------------------|--------------------|--------------------|
| Deferred Outflows of Resources | | | |
| Changes in assumptions | \$152,067 | \$117,607 | \$269,674 |
| Differences between expected and actual experience | 0 | 181,350 | 181,350 |
| Change in proportionate share | 0 | 1,014,302 | 1,014,302 |
| City contributions subsequent to the measurement date | 294,113 | 356,996 | 651,109 |
| Total Deferred Outflows of Resources | <u>\$446,180</u> | <u>\$1,670,255</u> | <u>\$2,116,435</u> |
| Deferred Inflows of Resources | | | |
| Net difference between projected and actual earnings on pension plan investments | \$567,921 | \$231,442 | \$799,363 |
| Differences between expected and actual experience | 35,997 | 247,094 | 283,091 |
| Change in proportionate share | 0 | 54,821 | 54,821 |
| Total Deferred Inflows of Resources | <u>\$603,918</u> | <u>\$533,357</u> | <u>\$1,137,275</u> |

\$651,109 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|--------------------------|--------------------|------------------|------------------|
| Year Ending December 31: | | | |
| 2021 | (\$66,448) | \$318,889 | \$252,441 |
| 2022 | (183,416) | 272,767 | 89,351 |
| 2023 | 23,518 | 294,656 | 318,174 |
| 2024 | (225,505) | (113,645) | (339,150) |
| 2025 | 0 | 7,235 | 7,235 |
| Total | <u>(\$451,851)</u> | <u>\$779,902</u> | <u>\$328,051</u> |

Actuarial Assumptions - OPERS

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

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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 in the December 31, 2019 and December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | December 31, 2019 |
|--|--|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation |
| COLA or Ad Hoc COLA (Pre 1/7/13 retirees) | 3 percent simple |
| COLA or Ad Hoc COLA (Post 1/7/13 retirees) | 1.4 percent simple through 2020. 2.15 percent simple, thereafter |
| Investment Rate of Return | 7.2 percent |
| Actuarial Cost Method | Individual Entry Age |
| | December 31, 2018 |
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation |
| COLA or Ad Hoc COLA (Pre 1/7/13 retirees) | 3 percent simple |
| COLA or Ad Hoc COLA (Post 1/7/13 retirees) | 3 percent simple through 2018. 2.15 percent simple, thereafter |
| Investment Rate of Return | 7.2 percent |
| Actuarial Cost Method | Individual Entry Age |

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

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

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2% for 2019.

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|----------------------|---|
| Fixed Income | 25.00 % | 1.83 % |
| Domestic Equities | 19.00 | 5.75 |
| Real Estate | 10.00 | 5.20 |
| Private Equity | 12.00 | 10.70 |
| International Equities | 21.00 | 7.66 |
| Other investments | 13.00 | 4.98 |
| Total | 100.00 % | 5.61 % |

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent. 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 statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

| | 1% Decrease (6.20%) | Current Discount Rate (7.20%) | 1% Increase (8.20%) |
|--|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$4,695,704 | \$2,847,052 | \$1,185,161 |

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2019 is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2019, compared with January 1, 2018, are presented below.

| | January 1, 2019 | January 1, 2018 |
|----------------------------|--|--|
| Valuation Date | January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019 | January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018 |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Investment Rate of Return | 8.0 percent | 8.0 percent |
| Projected Salary Increases | 3.75 percent to 10.5 percent | 3.75 percent to 10.5 percent |
| Payroll Growth | Inflation rate of 2.75 percent plus productivity increase rate of 0.5 | Inflation rate of 2.75 percent plus productivity increase rate of 0.5 |
| Cost of Living Adjustments | 3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent | 3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent |

For the January 1, 2019 valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

For the January 1, 2019 valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF’s target asset allocation as of December 31, 2019 are summarized below:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return |
|-------------------------------|----------------------|---|
| Cash and Cash Equivalents | 0.00 % | 1.00 % |
| Domestic Equity | 16.00 | 5.40 |
| Non-US Equity | 16.00 | 5.80 |
| Private Markets | 8.00 | 8.00 |
| Core Fixed Income * | 23.00 | 2.70 |
| High Yield Fixed Income | 7.00 | 4.70 |
| Private Credit | 5.00 | 5.50 |
| U.S. Inflation Linked Bonds * | 17.00 | 2.50 |
| Master Limited Partnerships | 8.00 | 6.60 |
| Real Assets | 8.00 | 7.40 |
| Private Real Estate | 12.00 | 6.40 |
| Total | 120.00 % | |

* levered 2x

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

CITY OF WAUSEON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate For 2019, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2018 was 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

| | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|--|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$6,640,126 | \$4,790,976 | \$3,244,345 |

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CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 9 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This 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 refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring 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, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. 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 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2020.

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.

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

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

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

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

CITY OF WAUSEON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

OP&F maintains funds for health care in two separate accounts. There is 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. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2020, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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 \$8,384 for 2020.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of 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, 2018, rolled forward to the measurement date of December 31, 2019, 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, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. 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:

| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|---|------------------|------------------|--------------|
| Proportionate Share of the Net OPEB Liability | \$1,967,886 | \$702,499 | \$2,670,385 |
| Proportion of the Net OPEB Liability-2020 | 0.014247% | 0.071119% | |
| Proportion of the Net OPEB Liability-2019 | <u>0.013877%</u> | <u>0.065034%</u> | |
| Percentage Change | <u>0.000370%</u> | <u>0.006085%</u> | |
| OPEB Expense | \$266,920 | \$146,340 | \$413,260 |

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|---|------------------|------------------|--------------------|
| Deferred Outflows of Resources | | | |
| Changes in assumptions | \$311,499 | \$410,707 | \$722,206 |
| Differences between expected and actual experience | 53 | 0 | 53 |
| Change in proportionate share | 244 | 413,815 | 414,059 |
| City contributions subsequent to the measurement date | <u>0</u> | <u>8,384</u> | <u>8,384</u> |
| Total Deferred Outflows of Resources | <u>\$311,796</u> | <u>\$832,906</u> | <u>\$1,144,702</u> |
| Deferred Inflows of Resources | | | |
| Net difference between projected and actual earnings on OPEB plan investments | \$100,203 | \$32,327 | \$132,530 |
| Changes in assumptions | 0 | 149,713 | 149,713 |
| Differences between expected and actual experience | 179,972 | 75,544 | 255,516 |
| Change in proportionate share | <u>0</u> | <u>5,556</u> | <u>5,556</u> |
| Total Deferred Inflows of Resources | <u>\$280,175</u> | <u>\$263,140</u> | <u>\$543,315</u> |

\$8,384 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|--------------------------|-----------------|------------------|------------------|
| Year Ending December 31: | | | |
| 2021 | \$50,716 | \$106,902 | \$157,618 |
| 2022 | 23,640 | 106,902 | 130,542 |
| 2023 | 80 | 113,534 | 113,614 |
| 2024 | (42,815) | 103,076 | 60,261 |
| 2025 | 0 | 103,414 | 103,414 |
| 2026 | 0 | 18,353 | 18,353 |
| 2027 | <u>0</u> | <u>9,201</u> | <u>9,201</u> |
| Total | <u>\$31,621</u> | <u>\$561,382</u> | <u>\$593,003</u> |

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

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 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, 2018, rolled forward to the measurement date of December 31, 2019. 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 | 3.25 percent |
| Projected Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation |
| Single Discount Rate: | |
| Current measurement date | 3.16 percent |
| Prior Measurement date | 3.96 percent |
| Investment Rate of Return: | |
| Current measurement date | 6.00 percent |
| Prior Measurement date | 6.00 percent |
| Municipal Bond Rate: | |
| Current measurement date | 2.75 percent |
| Prior Measurement date | 3.71 percent |
| Health Care Cost Trend Rate: | |
| Current measurement date | 10.5 percent initial, 3.5 percent ultimate in 2030 |
| Prior Measurement date | 10.0 percent, initial 3.25 percent, ultimate in 2029 |
| Actuarial Cost Method | Individual Entry Age Normal |

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

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

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

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

During 2019, 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 19.7 percent for 2019.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------------|----------------------|---|
| Fixed Income | 36.00 % | 1.53 % |
| Domestic Equities | 21.00 | 5.75 |
| Real Estate Investment Trust | 6.00 | 5.69 |
| International Equities | 23.00 | 7.66 |
| Other investments | 14.00 | 4.90 |
| Total | 100.00 % | 4.55 % |

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

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

| | 1% Decrease (2.16%) | Current Discount Rate (3.16%) | 1% Increase (4.16%) |
|---|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net OPEB liability | \$2,575,288 | \$1,967,886 | \$1,481,546 |

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 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

| | 1% Decrease | Current Health Care Cost Trend Rate Assumption | 1% Increase |
|---|-------------|--|-------------|
| City's proportionate share of the net OPEB liability | \$1,909,810 | \$1,967,886 | \$2,025,211 |

Changes between Measurement Date and Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

CITY OF WAUSEON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

| Valuation Date | January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019 | January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018 |
|----------------------------|--|--|
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Investment Rate of Return | 8.0 percent | 8.0 percent |
| Projected Salary Increases | 3.75 percent to 10.5 percent | 3.75 percent to 10.5 percent |
| Payroll Growth | Inflation rate of 2.75 percent plus productivity increase rate of 0.5 | Inflation rate of 2.75 percent plus productivity increase rate of 0.5 |
| Single discount rate | 3.56 percent | 4.66 percent |
| Cost of Living Adjustments | 3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent | 3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent |

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

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

The most recent experience study was completed for the five year period ended December 31, 2016. The prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2019, are summarized below:

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return |
|------------------------------|----------------------|---|
| Cash and Cash Equivalents | 0.00 % | 1.00 % |
| Domestic Equity | 16.00 | 5.40 |
| Non-US Equity | 16.00 | 5.80 |
| Private Markets | 8.00 | 8.00 |
| Core Fixed Income * | 23.00 | 2.70 |
| High Yield Fixed Income | 7.00 | 4.70 |
| Private Credit | 5.00 | 5.50 |
| U.S. Inflation Linked Bonds* | 17.00 | 2.50 |
| Master Limited Partnerships | 8.00 | 6.60 |
| Real Assets | 8.00 | 7.40 |
| Private Real Estate | 12.00 | 6.40 |
| Total | <u>120.00 %</u> | |

* levered 2x

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

Discount Rate For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, and the municipal bond rate was applied to all health care costs after that date.

CITY OF WAUSEON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The 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 3.56 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

| | 1% Decrease (2.56%) | Current Discount Rate (3.56%) | 1% Increase (4.56%) |
|---|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net OPEB liability | \$871,051 | \$702,499 | \$562,441 |

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.

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CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 10 – DEBT AND OTHER LONG-TERM OBLIGATIONS

Activity in Long-Term Debt and Other Long-Term Obligations in 2020 was as follows:

| Interest Rate | Purpose | Maturity Date | Balance December 31, 2019 | Additions | Deductions | Balance December 31, 2020 | Amount Due Within One Year |
|--|----------------------------------|---------------|---------------------------|-----------|---------------|---------------------------|----------------------------|
| Governmental Activities Debt: | | | | | | | |
| General Obligation Bonds: | | | | | | | |
| 2.0-5.0% | Street Improvement | 2029 | \$1,780,000 | \$0 | (\$150,000) | \$1,630,000 | \$155,000 |
| 1.85% | Pool Improvements | 2020 | 295,000 | 0 | (295,000) | 0 | 0 |
| Total General Obligation Bonds | | | 2,075,000 | 0 | (445,000) | 1,630,000 | 155,000 |
| Governmental Activities Other Long-Term Obligations: | | | | | | | |
| Compensated Absences | | | 326,346 | 168,218 | (149,837) | 344,727 | 175,528 |
| Total Governmental Activities | | | 2,401,346 | 168,218 | (594,837) | 1,974,727 | 330,528 |
| Business-Type Activities Debt: | | | | | | | |
| Ohio Water Development Authority Loans: | | | | | | | |
| 3.34% | Wastewater Treatment Plant | 2031 | 1,967,129 | 0 | (142,892) | 1,824,237 | 147,704 |
| 3.39% | Tedrow Water Supply Improvements | 2024 | 80,193 | 0 | (19,049) | 61,144 | 19,700 |
| Total Ohio Water Development Authority Loans | | | 2,047,322 | 0 | (161,941) | 1,885,381 | 167,404 |
| Long Term Note Payable: | | | | | | | |
| 2.28% | Water Improvements | 2020 | 500,000 | 0 | (500,000) | 0 | 0 |
| 0.46% | Water Improvements | 2021 | 0 | 245,000 | 0 | 245,000 | 245,000 |
| Business-Type Activities Other Long-Term Obligations: | | | | | | | |
| Compensated Absences | | | 128,574 | 135,027 | (73,134) | 190,467 | 108,862 |
| Total Business-Type Activities | | | 2,675,896 | 380,027 | (735,075) | 2,320,848 | 521,266 |
| Total Long-Term Obligations | | | \$5,077,242 | \$548,245 | (\$1,329,912) | \$4,295,575 | \$851,794 |

The City issued \$3,000,000 of street improvement bonds on May 26, 2011. This bond issue includes serial and term bonds and matures in 2029.

The City issued \$1,400,000 of pool improvement bonds on February 19, 2016. These bonds have an interest rate of 1.85% and matured in 2020.

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 10 – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

In 2002 the City entered into a loan agreement with OWDA on behalf of Fulton County for the Tedrow Waterline Project. Fulton County remits payment to the City in order to meet the loan debt obligation.

In 2010 the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive a loan for improvements to the City's wastewater treatment plant. The interest rate on the loan is 3.34%, per annum. This loan is payable from wastewater charges.

The Water Improvements Note Payable series 2020 will mature on August 12, 2021 and was issued in anticipation of the issuance of bonds for the purpose of improving the municipal waterworks system. The notes were used to retire the series 2019 notes payable, which matured on August 13, 2020.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2020 are as follows:

| Years | Governmental Activities | |
|-----------|---------------------------------|------------------|
| | General Obligation Bonds | |
| | Principal | Interest |
| 2021 | \$155,000 | \$66,238 |
| 2022 | 160,000 | 60,038 |
| 2023 | 165,000 | 53,638 |
| 2024 | 175,000 | 47,038 |
| 2025 | 180,000 | 40,038 |
| 2026-2030 | 795,000 | 84,839 |
| Totals | <u>\$1,630,000</u> | <u>\$351,829</u> |

| Years | Business-Type Activities | | | |
|-----------|---------------------------------|----------------|--------------------|------------------|
| | Long Term Note | | OWDA Loans | |
| | Principal | Interest | Principal | Interest |
| 2021 | \$245,000 | \$1,127 | \$167,404 | \$61,395 |
| 2022 | 0 | 0 | 173,053 | 55,823 |
| 2023 | 0 | 0 | 178,892 | 50,064 |
| 2024 | 0 | 0 | 163,137 | 44,275 |
| 2025 | 0 | 0 | 168,630 | 38,780 |
| 2026-2030 | 0 | 0 | 932,262 | 104,789 |
| 2031 | 0 | 0 | 102,003 | 1,703 |
| Totals | <u>\$245,000</u> | <u>\$1,127</u> | <u>\$1,885,381</u> | <u>\$356,829</u> |

The City's total debt margin was \$13,161,513 at December 31, 2020. The Ohio Revised Code provides that the net debt of a municipal corporation, when 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 taxable value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 11 - 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.

The City participates in the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM's property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

| | |
|-----------------|--------------------|
| Assets | \$18,826,974 |
| Liabilities | (13,530,267) |
| Members' Equity | <u>\$5,296,707</u> |

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 11 - RISK MANAGEMENT (Continued)

The City also purchases insurance coverage to provide employee health benefits and pays unemployment claims to the State of Ohio as incurred.

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

The City continues to carry commercial insurance for other risks of loss, including employee health and life insurance. There has been no significant reduction in insurance coverages from coverages in the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 12 - CONTINGENCIES

A. Grants

The City received financial assistance from State and Federal agencies in the form of grants. The expense 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2020.

B. Litigation

There are currently no matters in litigation with the City as defendant.

NOTE 13 – RAW WATERLINE COST SHARING AGREEMENT

The City of Wauseon and City of Napoleon, Henry County entered into an agreement for the construction and operation of a raw water supply line from the City of Napoleon to the City of Wauseon. The City of Wauseon paid for the construction of the raw water line. Per the agreement, the City of Napoleon contributed \$1,000,000 towards its share of the project in 2001. The balance of the City of Napoleon's commitment will be repaid through water credits to the City of Wauseon over a period of twenty five years.

CITY OF WAUSEON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 14 - SIGNIFICANT COMMITMENTS

At December 31, 2020 the City had encumbrance commitments in the Governmental Funds as follows:

| <u>Fund</u> | <u>Encumbrances</u> |
|-------------------------------------|-------------------------|
| General Fund | \$33,209 |
| Income Tax Capital Improvement Fund | 87,300 |
| Other Governmental Funds | <u>171,009</u> |
| Total Governmental Funds | <u><u>\$291,518</u></u> |

The City had the following contractual commitments at December 31, 2020:

| <u>Project</u> | <u>Remaining Contractual Commitment</u> | <u>Expected Date of Completion</u> |
|-----------------------------------|---|--|
| Downtown Sidewalk ADA Project | \$74,961 | April 2021 |
| South Brunell Street Improvements | <u>550,000</u> | September 2022 |
| | <u><u>\$624,961</u></u> | |

NOTE 15 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. The investments of the pension and other employee benefit plan in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

CITY OF WAUSEON, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WAUSEON, OHIO

***Schedule of City's Proportionate Share of the Net Pension Liability
Last Seven Years***

Ohio Public Employees Retirement System

| Year | 2014 | 2015 | 2016 |
|--|-------------|-------------|-------------|
| City's proportion of the net pension liability (asset) | 0.014942% | 0.014942% | 0.014871% |
| City's proportionate share of the net pension liability (asset) | \$1,761,466 | \$1,802,173 | \$2,575,776 |
| City's covered payroll | \$1,771,000 | \$1,833,108 | \$1,849,525 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 99.46% | 98.31% | 139.27% |
| Plan fiduciary net position as a percentage of the total pension liability | 86.36% | 86.45% | 81.08% |

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

| Year | 2014 | 2015 | 2016 |
|--|-------------|-------------|-------------|
| City's proportion of the net pension liability (asset) | 0.034306% | 0.034306% | 0.045984% |
| City's proportionate share of the net pension liability (asset) | \$1,670,815 | \$1,777,200 | \$2,958,215 |
| City's covered payroll | \$735,191 | \$740,729 | \$968,361 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 227.26% | 239.93% | 305.49% |
| Plan fiduciary net position as a percentage of the total pension liability | 73.00% | 72.20% | 66.77% |

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2014 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability, which is the prior year end.

See accompanying notes to the required supplementary information

CITY OF WAUSEON, OHIO

| <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|-------------|-------------|-------------|-------------|
| 0.014036% | 0.014008% | 0.014048% | 0.014404% |
| \$3,187,427 | \$2,197,525 | \$3,847,467 | \$2,847,052 |
| \$1,814,492 | \$1,851,115 | \$1,897,464 | \$2,026,679 |
| 175.67% | 118.71% | 202.77% | 140.48% |
| 77.25% | 84.66% | 74.70% | 82.17% |

| <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|-------------|-------------|-------------|-------------|
| 0.054345% | 0.058004% | 0.065034% | 0.071119% |
| \$3,442,162 | \$3,559,993 | \$5,308,493 | \$4,790,976 |
| \$1,188,754 | \$1,279,061 | \$1,474,274 | \$1,674,605 |
| 289.56% | 278.33% | 360.08% | 286.10% |
| 68.36% | 70.91% | 63.07% | 69.89% |

CITY OF WAUSEON, OHIO

***Schedule of City Pension Contributions
Last Eight Years***

Ohio Public Employees Retirement System

| Year | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|----------------|----------------|----------------|
| Contractually required contribution | \$230,230 | \$219,973 | \$221,943 |
| Contributions in relation to the contractually required contribution | <u>230,230</u> | <u>219,973</u> | <u>221,943</u> |
| Contribution deficiency (excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City's covered payroll | \$1,771,000 | \$1,833,108 | \$1,849,525 |
| Contributions as a percentage of covered payroll | 13.00% | 12.00% | 12.00% |

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

| Year | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|----------------|----------------|----------------|
| Contractually required contribution | \$109,635 | \$143,264 | \$197,290 |
| Contributions in relation to the contractually required contribution | <u>109,635</u> | <u>143,264</u> | <u>197,290</u> |
| Contribution deficiency (excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City's covered payroll | \$735,191 | \$740,729 | \$968,361 |
| Contributions as a percentage of covered payroll | 14.91% | 19.34% | 20.37% |

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

See accompanying notes to the required supplementary information

CITY OF WAUSEON, OHIO

| <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|----------------|----------------|----------------|----------------|----------------|
| \$217,739 | \$240,645 | \$265,645 | \$283,735 | \$294,113 |
| <u>217,739</u> | <u>240,645</u> | <u>265,645</u> | <u>283,735</u> | <u>294,113</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$1,814,492 | \$1,851,115 | \$1,897,464 | \$2,026,679 | \$2,100,807 |
| 12.00% | 13.00% | 14.00% | 14.00% | 14.00% |

| <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|----------------|----------------|----------------|----------------|----------------|
| \$247,207 | \$268,120 | \$311,252 | \$357,377 | \$356,996 |
| <u>247,207</u> | <u>268,120</u> | <u>311,252</u> | <u>357,377</u> | <u>356,996</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$1,188,754 | \$1,279,061 | \$1,474,274 | \$1,674,605 | \$1,676,804 |
| 20.80% | 20.96% | 21.11% | 21.34% | 21.29% |

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CITY OF WAUSEON, OHIO

**Schedule of City's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability
Last Four Years**

Ohio Public Employees Retirement System

| Year | 2017 | 2018 | 2019 | 2020 |
|---|-------------|-------------|-------------|-------------|
| City's proportion of the net OPEB liability (asset) | 0.013920% | 0.014002% | 0.013877% | 0.014247% |
| City's proportionate share of the net OPEB liability (asset) | \$1,405,983 | \$1,520,497 | \$1,809,237 | \$1,967,886 |
| City's covered payroll | \$1,814,492 | \$1,851,115 | \$1,897,464 | \$2,026,679 |
| City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | 77.49% | 82.14% | 95.35% | 97.10% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 54.50% | 54.14% | 46.33% | 47.80% |

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

| Year | 2017 | 2018 | 2019 | 2020 |
|---|-------------|-------------|-------------|-------------|
| City's proportion of the net OPEB liability (asset) | 0.054345% | 0.058004% | 0.065034% | 0.071119% |
| City's proportionate share of the net OPEB liability (asset) | \$2,579,638 | \$3,286,449 | \$592,236 | \$702,499 |
| City's covered payroll | \$1,188,754 | \$1,279,061 | \$1,474,274 | \$1,674,605 |
| City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | 217.00% | 256.94% | 40.17% | 41.95% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 15.96% | 14.13% | 46.57% | 47.08% |

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 75 in 2018.

Information prior to 2016 is not available.

The schedule is reported as of the measurement date of the Net OPEB Liability.

See accompanying notes to the required supplementary information

CITY OF WAUSEON, OHIO

***Schedule of City's Other Postemployment Benefit (OPEB) Contributions
Last Eight Years***

Ohio Public Employees Retirement System

| Year | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|---------------|---------------|---------------|
| Contractually required contribution | \$17,710 | \$36,662 | \$36,991 |
| Contributions in relation to the contractually required contribution | <u>17,710</u> | <u>36,662</u> | <u>36,991</u> |
| Contribution deficiency (excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City's covered payroll | \$1,771,000 | \$1,833,108 | \$1,849,525 |
| Contributions as a percentage of covered payroll | 1.00% | 2.00% | 2.00% |

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

| Year | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|---------------|--------------|--------------|
| Contractually required contribution | \$24,802 | \$3,704 | \$4,842 |
| Contributions in relation to the contractually required contribution | <u>24,802</u> | <u>3,704</u> | <u>4,842</u> |
| Contribution deficiency (excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City's covered payroll | \$735,191 | \$740,729 | \$968,361 |
| Contributions as a percentage of covered payroll | 3.37% | 0.50% | 0.50% |

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 75 in 2018.

Information prior to 2013 is not available.

See accompanying notes to the required supplementary information

CITY OF WAUSEON, OHIO

| 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------|---------------|-------------|-------------|-------------|
| \$36,290 | \$18,511 | \$0 | \$0 | \$0 |
| <u>36,290</u> | <u>18,511</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$1,814,492 | \$1,851,115 | \$1,897,464 | \$2,026,679 | \$2,100,807 |
| 2.00% | 1.00% | 0.00% | 0.00% | 0.00% |

| 2016 | 2017 | 2018 | 2019 | 2020 |
|--------------|--------------|--------------|--------------|--------------|
| \$5,944 | \$6,396 | \$7,371 | \$8,373 | \$8,384 |
| <u>5,944</u> | <u>6,396</u> | <u>7,371</u> | <u>8,373</u> | <u>8,384</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$1,188,754 | \$1,279,061 | \$1,474,274 | \$1,674,605 | \$1,676,804 |
| 0.50% | 0.50% | 0.50% | 0.50% | 0.50% |

CITY OF WAUSEON, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2020

NET PENSION LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2020.

Changes in assumptions:

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

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

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%
- Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality Table.

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

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

- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

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

- Change in COLA from 3.00% to 1.4% for post 1/7/13 retirees.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2020.

Changes in assumptions:

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

CITY OF WAUSEON, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2020

NET PENSION LIABILITY (Continued)

OHIO POLICE AND FIRE (OP&F) PENSION FUND (Continued)

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

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%
- For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006
- For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006

2019-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

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CITY OF WAUSEON, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2020

NET OPEB LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the periods 2018-2020.

Changes in assumptions:

For 2018, the single discount rate changed from 4.23% to 3.85%.

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

- The single discount rate changed from 3.85% to 3.96%.
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%
- Change in health care cost trend rate from 7.5% to 10%
- The Municipal Bond Rate changed from 3.31% to 3.71%

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

- The single discount rate changed from 3.96% to 3.16%.
- Change in health care cost trend rate from 10.0% to 10.5%
- The Municipal Bond Rate changed from 3.71% to 2.75%

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms:

2018: There were no changes in benefit terms.

2019: The retiree health care model and the current self-insured health care plan were replaced with a stipend-based health care model.

2020: There were no changes in benefit terms.

Changes in assumptions:

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

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

- The single discount rate changed from 3.24% to 4.66%.

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

- The single discount rate changed from 4.66% to 3.56%.

OHIO AUDITOR OF STATE KEITH FABER



One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

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

City of Wauseon
Fulton County
230 Clinton Street
Wauseon, Ohio 43567-2104

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and 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 Wauseon, Fulton County, Ohio (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 20, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the City.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. *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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

October 20, 2021

Mayor
Kathy Huner

City Council
Shane Chamberlin
Patrick Griggs
Steve Schneider
Harold Stickley
Sarah Heising
Scott Stiriz



Director of Law
Thomas A. McWatters III
Director of Finance
Jamie L. Giguere
Director of Public Service
Keith C. Torbet
Police Chief
Kevin Chittenden
Fire Chief
Richard Sluder

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020**

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|---|---|-------------------------------|
| 2019-001 | Ohio Rev. Code § 5705.14, Ohio Rev. Code § 5705.15, and Ohio Rev. Code § 5705.16 and material weakness due to illegal transfers of funds. | Corrective action taken and finding is fully corrected. | |
| 2019-002 | Ohio Rev. Code § 5705.39 due to appropriations exceeding estimated resources. | Corrective action taken and finding is fully corrected. | |
| 2019-003 | Ohio Rev. Code § 5705.10(I) due to negative cash balances. | Corrective action taken and finding is fully corrected. | |

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF WAUSEON

FULTON 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 11/9/2021

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

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