



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF FOSTORIA
SENECA COUNTY, OHIO

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2021

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OHIO AUDITOR OF STATE
KEITH FABER



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City Council
City of Fostoria
213 South Main Street
Fostoria, Ohio 44830

We have reviewed the *Independent Auditor's Report* of the City of Fostoria, Seneca County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2021 through December 31, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

October 21, 2022

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SENECA COUNTY
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SENECA COUNTY
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INDEPENDENT AUDITOR'S REPORT

City of Fostoria
Seneca County
213 South Main Street
Fostoria, Ohio 44830

To the Members of City Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fostoria, Seneca County, Ohio (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fostoria, Seneca County, Ohio as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 23 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



BHM CPA Group, Inc.
Piketon, Ohio
September 29, 2022

CITY OF FOSTORIA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2021

The management's discussion and analysis of the City of Fostoria's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2021. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2021 are as follows:

- The total net position of the City increased \$4,355,310. Net position of governmental activities increased \$2,660,547 or 16.00% from 2020's net position and net position of business-type activities increased \$1,694,763 or 5.31% from 2020's net position.
- General revenues accounted for \$10,041,940 or 82.29% of total governmental activities revenue. Program specific revenues accounted for \$2,160,889 or 17.71% of total governmental activities revenue.
- The City had \$9,531,972 in expenses related to governmental activities; \$2,160,889 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$10,041,940 were adequate to cover the remaining expenses of the governmental activities.
- The general fund had revenues of \$9,835,298 in 2021. The expenditures and other financing uses of the general fund totaled \$8,342,071 in 2021. The net increase in fund balance for the general fund was \$1,493,227.
- Net position for the business-type activities, which are made up of the water and sewer enterprise funds, increased in 2021 by \$1,694,763.
- In the general fund, the actual revenues and other financing sources were \$617,855 more than in the final and original budget and actual expenditures and other financing uses were \$1,038,241 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Final budgeted expenditures and other financing uses were \$434,900 more than the original budget and other financing uses.

Using this Annual Financial Report

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

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

CITY OF FOSTORIA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2021

Reporting the City as a Whole

Statement of Net position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2021?" The statement of net position and the statement of activities answer this question. These statements include all assets and deferred outflows of resources, liabilities and deferred inflows or resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds.

Governmental Funds

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

CITY OF FOSTORIA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

Proprietary Funds

The City maintains proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer activities. All of the City's enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City has no internal service funds.

Fiduciary Funds

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

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CITY OF FOSTORIA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Government-Wide Financial Analysis

The table below provides a summary of the City's net position at December 31, 2021 and December 31, 2020.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<u>Assets</u>						
Current and other assets	\$ 18,942,985	\$ 16,218,668	\$ 7,174,428	\$ 5,650,825	\$ 26,117,413	\$ 21,869,493
Capital assets, net	15,453,428	15,117,565	48,627,292	40,784,603	64,080,720	55,902,168
Total assets	<u>34,396,413</u>	<u>31,336,233</u>	<u>55,801,720</u>	<u>46,435,428</u>	<u>90,198,133</u>	<u>77,771,661</u>
Deferred outflows of resources	<u>2,379,781</u>	<u>2,855,292</u>	<u>318,804</u>	<u>578,844</u>	<u>2,698,585</u>	<u>3,434,136</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	907,359	943,847	17,396,693	10,354,765	18,304,052	11,298,612
Net pension liability	8,729,770	9,328,435	1,512,365	2,137,174	10,242,135	11,465,609
Net OPEB liability	1,209,616	2,035,699	-	1,459,372	1,209,616	3,495,071
Other liabilities	<u>1,576,102</u>	<u>584,444</u>	<u>2,193,183</u>	<u>273,904</u>	<u>3,769,285</u>	<u>858,348</u>
Total liabilities	<u>12,422,847</u>	<u>12,892,425</u>	<u>21,102,241</u>	<u>14,225,215</u>	<u>33,525,088</u>	<u>27,117,640</u>
<u>Deferred inflows of resources</u>						
Property taxes levied for the next fiscal year	1,802,830	1,526,069	-	-	1,802,830	1,526,069
Payment in lieu of taxes levied for next fiscal year	14,441	7,250	-	-	14,441	7,250
Pension	2,097,812	2,147,626	787,443	586,439	2,885,255	2,734,065
OPEB	<u>1,152,160</u>	<u>992,598</u>	<u>608,690</u>	<u>275,231</u>	<u>1,760,850</u>	<u>1,267,829</u>
Total deferred inflows	<u>5,067,243</u>	<u>4,673,543</u>	<u>1,396,133</u>	<u>861,670</u>	<u>6,463,376</u>	<u>5,535,213</u>
<u>Net Position</u>						
Net investment in capital assets	14,794,528	14,721,973	29,528,960	30,662,638	44,323,488	45,384,611
Restricted	5,790,069	5,974,769	-	-	5,790,069	5,974,769
Unrestricted (deficit)	<u>(1,298,493)</u>	<u>(4,071,185)</u>	<u>4,093,190</u>	<u>1,264,749</u>	<u>2,794,697</u>	<u>(2,806,436)</u>
Total net position	<u>\$ 19,286,104</u>	<u>\$ 16,625,557</u>	<u>\$ 33,622,150</u>	<u>\$ 31,927,387</u>	<u>\$ 52,908,254</u>	<u>\$ 48,552,944</u>

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

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

CITY OF FOSTORIA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2021, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$52,908,254. At year-end, net position was \$19,286,104 and \$33,622,150 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 71.04% of total assets. Capital assets include land, construction in progress, land improvements, buildings, machinery and equipment, vehicles, and infrastructure. Net investment in capital assets at December 31, 2021, were \$14,794,528 and \$29,528,960 in the governmental and business-type activities respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$5,790,069, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance is a deficit unrestricted net position balance of \$1,298,493.

CITY OF FOSTORIA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

The table below shows the changes in net position for 2021 and 2020.

	Governmental		Change in Net Position Business-type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 620,456	\$ 595,422	\$ 6,921,443	\$ 6,204,968	\$ 7,541,899	\$ 6,800,390
Operating grants and contributions	1,443,588	3,213,126	-	-	1,443,588	3,213,126
Capital grants and contributions	96,845	-	225,107	-	321,952	-
Total program revenues	<u>2,160,889</u>	<u>3,808,548</u>	<u>7,146,550</u>	<u>6,204,968</u>	<u>9,307,439</u>	<u>10,013,516</u>
General revenues:						
Property taxes	1,581,890	1,411,916	-	-	1,581,890	1,411,916
Income taxes	7,615,914	6,496,361	-	-	7,615,914	6,496,361
Unrestricted grants and entitlements	439,208	395,107	-	-	439,208	395,107
Investment earnings	1,651	13,376	-	1,641	1,651	15,017
Refunds and reimbursements	51,480	53,520	-	-	51,480	53,520
Miscellaneous	351,797	1,502,738	53,780	124,816	405,577	1,627,554
Total general revenues	<u>10,041,940</u>	<u>9,873,018</u>	<u>53,780</u>	<u>126,457</u>	<u>10,095,720</u>	<u>9,999,475</u>
Total revenues	<u>12,202,829</u>	<u>13,681,566</u>	<u>7,200,330</u>	<u>6,331,425</u>	<u>19,403,159</u>	<u>20,012,991</u>
Expenses:						
General government	2,108,034	1,863,315	-	-	2,108,034	1,863,315
Security of persons and property	5,671,013	5,109,302	-	-	5,671,013	5,109,302
Public health and welfare	342,056	160,423	-	-	342,056	160,423
Transportation	915,142	1,475,903	-	-	915,142	1,475,903
Community environment	389,636	506,177	-	-	389,636	506,177
Leisure time activity	69,847	68,203	-	-	69,847	68,203
Other	31,195	191	-	-	31,195	191
Interest and fiscal charges	5,049	5,928	-	-	5,049	5,928
Water	-	-	2,498,533	2,881,495	2,498,533	2,881,495
Sewer	-	-	3,017,344	3,031,718	3,017,344	3,031,718
Total expenses	<u>9,531,972</u>	<u>9,189,442</u>	<u>5,515,877</u>	<u>5,913,213</u>	<u>15,047,849</u>	<u>15,102,655</u>
Increase in net position before transfers	2,670,857	4,492,124	1,684,453	418,212	4,355,310	4,910,336
Transfers	<u>(10,310)</u>	<u>(5,155)</u>	<u>10,310</u>	<u>5,155</u>	<u>-</u>	<u>-</u>
Change in net position	2,660,547	4,486,969	1,694,763	423,367	4,355,310	4,910,336
Net position at beginning of year	<u>16,625,557</u>	<u>12,138,588</u>	<u>31,927,387</u>	<u>31,504,020</u>	<u>48,552,944</u>	<u>43,642,608</u>
Net position at end of year	<u>\$ 19,286,104</u>	<u>\$ 16,625,557</u>	<u>\$ 33,622,150</u>	<u>\$ 31,927,387</u>	<u>\$ 52,908,254</u>	<u>\$ 48,552,944</u>

CITY OF FOSTORIA, OHIO

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Governmental Activities

Governmental activities net position increased \$2,660,547 in 2021.

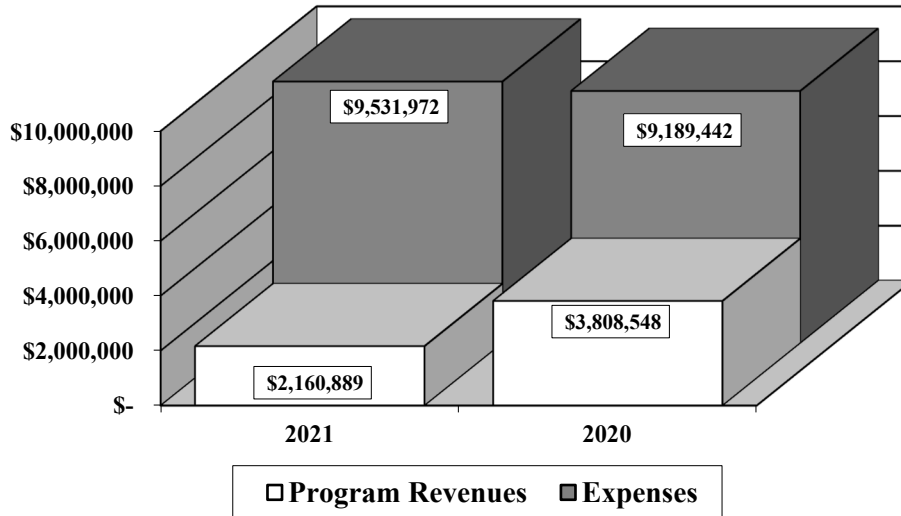
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$5,671,013 of the total expenses of the City. These expenses were partially funded by \$385,967 in direct charges to users of the services and \$87,393 in operating grants and contributions. General government expenses totaled \$2,108,034 and was funded by \$150,531 in charges for services. Transportation expenses totaled \$915,142. Transportation expenses were partially funded by \$3,733 in direct charges to users of the services, \$1,044,497 in operating grants and contributions, and \$96,845 in capital grants and contributions.

The state and federal government contributed to the City a total of \$1,443,588 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$87,393 subsidized security of persons and property programs, \$1,044,497 subsidized transportation programs and \$310,837 subsidized community environment programs.

General revenues totaled \$10,041,940 and amounted to 82.29% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$9,197,804. The other primary sources of general revenues is grants and entitlements not restricted to specific programs, including local government revenue, making up \$439,208 and miscellaneous revenues of \$351,797.

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

Governmental Activities – Program Revenues vs. Total Expenses



CITY OF FOSTORIA, OHIO

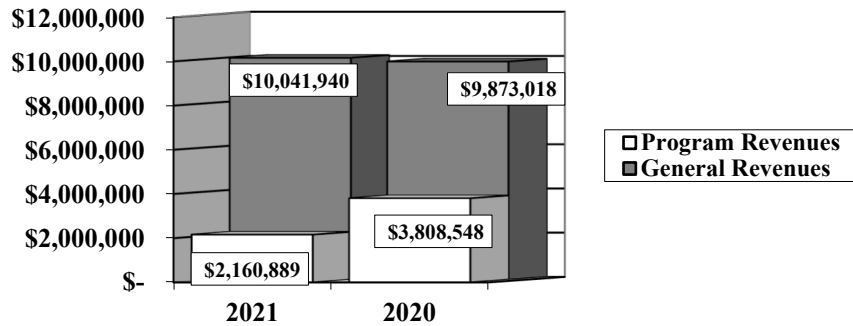
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Governmental Activities

	Total Cost of Services <u>2021</u>	Net Cost of Services <u>2021</u>	Total Cost of Services <u>2020</u>	Net Cost of Services <u>2020</u>
Program Expenses:				
General government	\$ 2,108,034	\$ 1,956,642	\$ 1,863,315	\$ (223,448)
Security of persons and property	5,671,013	5,197,653	5,109,302	4,699,749
Public health and welfare	342,056	282,047	160,423	71,134
Transportation	915,142	(229,923)	1,475,903	488,443
Community environment	389,636	61,083	506,177	286,891
Leisure time activity	69,847	67,347	68,203	52,006
Other	31,195	31,195	191	191
Interest and fiscal charges	<u>5,049</u>	<u>5,049</u>	<u>5,928</u>	<u>5,928</u>
Total	<u>\$ 9,531,972</u>	<u>\$ 7,371,083</u>	<u>\$ 9,189,442</u>	<u>\$ 5,380,894</u>

The dependence upon general revenues for governmental activities is apparent, with 77.33% of expenses supported through taxes and other general revenues.

Governmental Activities – General and Program Revenues

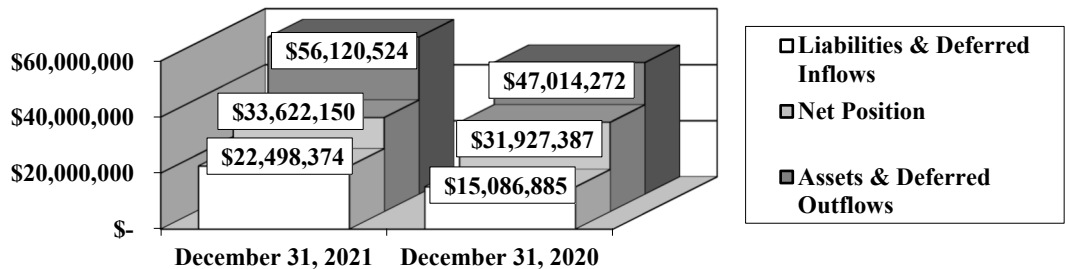


Business-type Activities

Business-type activities include the water and sewer enterprise funds. These programs had program revenues of \$7,146,550, general revenues of \$53,780, expenses of \$5,515,877 and net transfers in of \$10,310 for 2021.

The graph below shows the business-type activities assets, liabilities and net position at year-end.

Net position in Business – Type Activities



CITY OF FOSTORIA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds reported a combined fund balance of \$12,443,193 which is \$1,546,605 greater than last year's total of \$10,886,588. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2021 for all major and nonmajor governmental funds.

	<u>Fund Balances</u> <u>12/31/21</u>	<u>Fund Balances</u> <u>12/31/20</u>	<u>Change</u>
Major funds:			
General	\$ 6,720,313	\$ 5,227,086	\$ 1,493,227
Other nonmajor governmental funds	<u>5,712,880</u>	<u>5,659,502</u>	<u>53,378</u>
Total	<u>\$ 12,433,193</u>	<u>\$ 10,886,588</u>	<u>\$ 1,546,605</u>

General Fund

The City's general fund balance increased \$1,493,227.

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

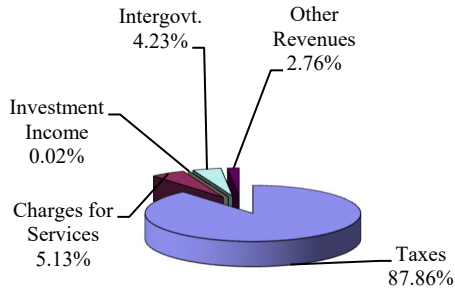
	<u>2021</u> <u>Amount</u>	<u>2020</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 8,640,955	\$ 7,862,009	9.91 %
Charges for services	504,427	504,574	(0.03) %
Licenses and permits	20,016	9,475	111.25 %
Fines and forfeitures	2,814	4,203	(33.05) %
Intergovernmental	416,073	388,233	7.17 %
Investment income	1,651	13,376	(87.66) %
Contributions and donations	-	100	(100.00) %
Other	<u>249,362</u>	<u>1,313,856</u>	(81.02) %
Total	<u>\$ 9,835,298</u>	<u>\$ 10,095,826</u>	(2.58) %

Tax revenue represents 87.86% of all general fund revenue. During 2021, taxes increased \$778,946 primarily due to an increase of income taxes of \$750,292. Other revenue decreased \$1,064,494 or 81.02% primarily due to a large bureau of workers' compensation receipt in 2020. All other revenues remained consistent with prior year.

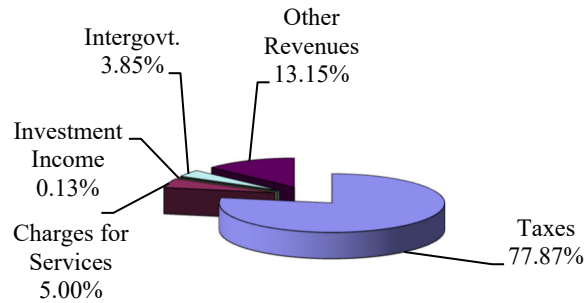
CITY OF FOSTORIA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Revenues – 2021



Revenues – 2020



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

	2021	2020	Percentage
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,388,815	\$ 1,252,953	10.84 %
Security of persons and property	5,239,703	4,863,921	7.73 %
Public health and welfare	169,913	154,873	9.71 %
Transportation	358,086	354,605	0.98 %
Community environment	99,017	100,096	(1.08) %
Other	-	191	100.00 %
	<u> </u>	<u> </u>	
Total	<u>\$ 7,255,534</u>	<u>\$ 6,726,639</u>	7.86 %

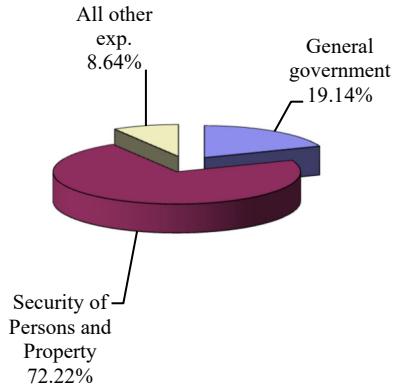
Overall expenditures of the general fund increased \$528,895 or 7.86%. General government expenditures increased \$135,862 or 10.84%. Security of persons and property increased \$375,782 due to greater expenditures for the police and fire department. All other expenditures remained consistent with prior year.

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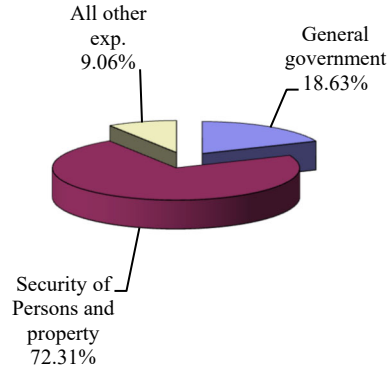
CITY OF FOSTORIA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Expenditures - 2021



Expenditures - 2020



Budgeting Highlights - General Fund

In the general fund, the actual revenues and other financing sources were \$617,855 more than in the final and original budget and actual expenditures and other financing uses were \$1,038,241 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Final budgeted expenditures and other financing uses were \$434,900 more than the original budget and other financing uses.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations. The only interfund activity reported in the government wide statements are those between business-type activities and governmental activities (reported as internal balances and transfers) whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements.

Capital Assets and Debt Administration

Capital Assets

At the end of 2021, the City had \$64,080,720 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings, machinery and equipment, vehicles and infrastructure. Of this total, \$15,453,428 was reported in governmental activities and \$48,627,292 was reported in business-type activities.

CITY OF FOSTORIA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

The following table shows December 31, 2021 balances compared to December 31, 2020.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,932,021	\$ 1,932,021	\$ 8,429,538	\$ 8,429,538	\$ 10,361,559	\$ 10,361,559
Construction in progress	122,999	55,368	14,106,486	5,407,890	14,229,485	5,463,258
Land improvements	162,918	174,603	-	-	162,918	174,603
Buildings	1,463,170	1,141,317	6,433,595	6,621,141	7,896,765	7,762,458
Machinery and equipment	704,722	486,861	2,048,857	1,952,129	2,753,579	2,438,990
Vehicles	932,728	743,313	638,679	731,383	1,571,407	1,474,696
Infrastructure	10,134,870	10,584,082	16,970,137	17,642,522	27,105,007	28,226,604
Totals	\$ 15,453,428	\$ 15,117,565	\$ 48,627,292	\$ 40,784,603	\$ 64,080,720	\$ 55,902,168

The City's largest governmental capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 65.58% of the City's total governmental capital assets.

The City's largest business-type capital asset category is infrastructure that primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 34.90% of the City's total business-type capital assets. See Note 10 to the financial statements for more detail.

Debt Administration

The City had the following long-term debt obligations outstanding at December 31, 2021 and 2020:

	Governmental Activities	
	2021	2020
Equipment loan	\$ 486,225	\$ 135,384
OPWC loans	49,676	56,299
Total long-term obligations	\$ 535,901	\$ 191,683
	Business-Type Activities	
	2021	2020
OWDA loans	\$ 17,529,247	\$ 9,884,185
OPWC loans	19,426,028	211,009
Total long-term obligations	\$ 36,955,275	\$ 10,095,194

See Note 12 to the financial statements for more detail on the City's long-term obligations.

CITY OF FOSTORIA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2021

Economic Factors and Next Year's Budgets and Rates

The City's current population estimate as of 2021 is 13,251 as of 2018 census data.

Although the City has experienced a slowdown in the overall economy over the past few years, as have many other cities across the State of Ohio, Fostoria has had some positive trends that are developing. There is new industry opening, as well as retention and expansion of current industry. Renovation and location upgrades of current companies is allowing for more visibility for these businesses and creates a fresh look for the City. Several new small businesses have started up and are thriving. With new business development, and proactive planning, the tax revenue has continued to increase during 2021.

The Auditor of State declared that a fiscal emergency exists for the City as of May 26, 2016. Fostoria continues to work with the Auditor of State on a recovery plan for Fostoria, and the City is making necessary changes that are suggested and advised by the Auditor of State.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Heidi Kauffman, Director of Finance, City of Fostoria, 213 S. Main Street, Fostoria, Ohio 44830.

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CITY OF FOSTORIA, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 10,643,344	\$ 5,409,321	\$ 16,052,665
Cash and cash equivalents with fiscal agent.	91,556	-	91,556
Receivables:			
Income taxes	2,433,343	-	2,433,343
Real and other taxes	1,935,635	-	1,935,635
Accounts	82,971	1,062,699	1,145,670
Payment in lieu of taxes.	14,441	-	14,441
Due from other governments.	1,820,191	227,826	2,048,017
Loans	1,574,597	-	1,574,597
Materials and supplies inventory.	76,323	210,023	286,346
Prepayments	136,550	50,487	187,037
Net pension asset.	21,705	34,666	56,371
Net OPEB asset.	112,329	179,406	291,735
Capital assets:			
Nondepreciable capital assets	2,055,020	22,536,024	24,591,044
Depreciable capital assets, net	13,398,408	26,091,268	39,489,676
Total capital assets, net.	<u>15,453,428</u>	<u>48,627,292</u>	<u>64,080,720</u>
Total assets.	<u>34,396,413</u>	<u>55,801,720</u>	<u>90,198,133</u>
Deferred outflows of resources:			
Pension	1,432,259	222,106	1,654,365
OPEB	947,522	96,698	1,044,220
Total deferred outflows of resources	<u>2,379,781</u>	<u>318,804</u>	<u>2,698,585</u>
Liabilities:			
Accounts payable.	244,203	166,202	410,405
Contracts payable.	122,999	1,406,693	1,529,692
Accrued wages and benefits	94,772	27,905	122,677
Due to other governments	1,952	447	2,399
Unearned revenue	691,866	-	691,866
Pension and postemployment benefits payable.	81,463	21,025	102,488
Accrued interest payable.	260	53,941	54,201
Long-term liabilities:			
Due within one year	338,587	516,970	855,557
Due in more than one year:			
Net pension liability.	8,729,770	1,512,365	10,242,135
Net OPEB liability.	1,209,616	-	1,209,616
Other amounts due in more than one year.	907,359	17,396,693	18,304,052
Total liabilities	<u>12,422,847</u>	<u>21,102,241</u>	<u>33,525,088</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	1,802,830	-	1,802,830
Pension	2,097,812	787,443	2,885,255
OPEB	1,152,160	608,690	1,760,850
Payment in lieu of taxes levied for the next fiscal year.	14,441	-	14,441
Total deferred inflows of resources	<u>5,067,243</u>	<u>1,396,133</u>	<u>6,463,376</u>
Net position:			
Net investment in capital assets	14,794,528	29,528,960	44,323,488
Restricted for:			
Capital projects	50	-	50
Security of persons and property.	150,763	-	150,763
Transportation projects	971,147	-	971,147
Revolving loans	3,055,779	-	3,055,779
Public health and welfare	65,511	-	65,511
Community environment	1,292,816	-	1,292,816
Coronavirus relief.	3,492	-	3,492
Perpetual care:			
Nonexpendable.	119,750	-	119,750
Other purposes.	130,761	-	130,761
Unrestricted (deficit).	(1,298,493)	4,093,190	2,794,697
Total net position	<u>\$ 19,286,104</u>	<u>\$ 33,622,150</u>	<u>\$ 52,908,254</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FOSTORIA, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 2,108,034	\$ 150,531	\$ 861	\$ -
Security of persons and property	5,671,013	385,967	87,393	-
Public health and welfare	342,056	60,009	-	-
Transportation	915,142	3,733	1,044,497	96,845
Community environment	389,636	17,716	310,837	-
Leisure time activity	69,847	2,500	-	-
Other	31,195	-	-	-
Interest and fiscal charges	5,049	-	-	-
Total governmental activities	<u>9,531,972</u>	<u>620,456</u>	<u>1,443,588</u>	<u>96,845</u>
Business-type activities:				
Water	2,498,533	3,499,949	-	225,107
Sewer	3,017,344	3,421,494	-	-
Total business-type activities	<u>5,515,877</u>	<u>6,921,443</u>	<u>-</u>	<u>225,107</u>
Total primary government	<u>\$ 15,047,849</u>	<u>\$ 7,541,899</u>	<u>\$ 1,443,588</u>	<u>\$ 321,952</u>

General revenues:

Property taxes levied for:	
General purposes	
Police and fire pension	
Income taxes levied for:	
General purposes	
Grants and entitlements not restricted to specific programs	
Investment earnings	
Refunds and reimbursements	
Miscellaneous	
Total general revenues	
Transfers	
Change in net position	
Net position at beginning of year	
Net position at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (1,956,642)	\$ -	\$ (1,956,642)
(5,197,653)	-	(5,197,653)
(282,047)	-	(282,047)
229,933	-	229,933
(61,083)	-	(61,083)
(67,347)	-	(67,347)
(31,195)	-	(31,195)
(5,049)	-	(5,049)
<u>(7,371,083)</u>	<u>-</u>	<u>(7,371,083)</u>
-	1,226,523	1,226,523
-	404,150	404,150
-	<u>1,630,673</u>	<u>1,630,673</u>
<u>(7,371,083)</u>	<u>1,630,673</u>	<u>(5,740,410)</u>
1,483,277	-	1,483,277
98,613	-	98,613
7,615,914	-	7,615,914
439,208	-	439,208
1,651	-	1,651
51,480	-	51,480
351,797	53,780	405,577
<u>10,041,940</u>	<u>53,780</u>	<u>10,095,720</u>
<u>(10,310)</u>	<u>10,310</u>	<u>-</u>
2,660,547	1,694,763	4,355,310
16,625,557	31,927,387	48,552,944
<u>\$ 19,286,104</u>	<u>\$ 33,622,150</u>	<u>\$ 52,908,254</u>

CITY OF FOSTORIA, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 6,169,123	\$ 4,474,221	\$ 10,643,344
Cash and cash equivalents with fiscal agent	-	91,556	91,556
Receivables:			
Income taxes	2,433,343	-	2,433,343
Real and other taxes	1,836,436	99,199	1,935,635
Accounts	82,971	-	82,971
Due from other governments	158,781	1,661,410	1,820,191
Due from other funds	3,166	-	3,166
Loans	-	1,574,597	1,574,597
Payment in lieu of taxes	-	14,441	14,441
Interfund loans receivable	100,000	-	100,000
Advances to other funds	17,450	-	17,450
Materials and supplies inventory	-	76,323	76,323
Prepayments	120,427	16,123	136,550
Total assets	<u>\$ 10,921,697</u>	<u>\$ 8,007,870</u>	<u>\$ 18,929,567</u>
Liabilities:			
Accounts payable	\$ 208,422	\$ 35,781	\$ 244,203
Contracts payable	-	122,999	122,999
Accrued wages and benefits	88,759	6,013	94,772
Interfund loans payable	-	100,000	100,000
Advances from other funds	-	17,450	17,450
Due to other governments	1,857	95	1,952
Pension and postemployment benefits payable	23,736	57,727	81,463
Unearned revenue	-	691,866	691,866
Due to other funds	-	3,166	3,166
Total liabilities	<u>322,774</u>	<u>1,035,097</u>	<u>1,357,871</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	1,710,406	92,424	1,802,830
Delinquent property tax revenue not available	125,377	6,775	132,152
Income tax revenue not available	1,944,079	-	1,944,079
Nonexchange transactions revenue not available	98,748	1,146,253	1,245,001
Payment in lieu of taxes levied for the next fiscal year	-	14,441	14,441
Total deferred inflows of resources	<u>3,878,610</u>	<u>1,259,893</u>	<u>5,138,503</u>
Fund balances:			
Nonspendable	137,877	212,196	350,073
Restricted	-	4,978,648	4,978,648
Committed	11,000	694,783	705,783
Assigned	602,071	-	602,071
Unassigned (deficit)	<u>5,969,365</u>	<u>(172,747)</u>	<u>5,796,618</u>
Total fund balances	<u>6,720,313</u>	<u>5,712,880</u>	<u>12,433,193</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,921,697</u>	<u>\$ 8,007,870</u>	<u>\$ 18,929,567</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FOSTORIA, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021

Total governmental fund balances		\$ 12,433,193
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		15,453,428
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Income taxes	\$ 1,944,079	
Property taxes	132,152	
Due from other governments	1,245,001	
Total	3,321,232	3,321,232
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/ outflows are not reported in governmental funds.		
Net pension asset	21,705	
Deferred outflows of resources	1,432,259	
Deferred inflows of resources	(2,097,812)	
Net pension liability	(8,729,770)	
Total	(9,373,618)	(9,373,618)
The net OPEB asset and net OPEB liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/ outflows are not reported in governmental funds.		
Net OPEB asset	112,329	
Deferred outflows of resources	947,522	
Deferred inflows of resources	(1,152,160)	
Net OPEB liability	(1,209,616)	
Total	(1,301,925)	(1,301,925)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the governmental funds.		(260)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
OPWC loan payable	(49,676)	
Loans payable	(486,225)	
Compensated absences payable	(710,045)	
Total	(1,245,946)	(1,245,946)
Net position of governmental activities		\$ 19,286,104

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FOSTORIA, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Municipal income taxes	\$ 7,179,405	\$ -	\$ 7,179,405
Property and other taxes	1,461,550	98,066	1,559,616
Charges for services	504,427	8,607	513,034
Licenses and permits	20,016	100	20,116
Fines and forfeitures	2,814	940	3,754
Intergovernmental	416,073	1,793,835	2,209,908
Investment income	1,651	32,381	34,032
Rental income	80,477	2,500	82,977
Refunds and reimbursements	-	51,480	51,480
Contributions and donations	-	77,094	77,094
Other	168,885	183,487	352,372
Total revenues	<u>9,835,298</u>	<u>2,248,490</u>	<u>12,083,788</u>
Expenditures:			
Current:			
General government	1,388,815	868,662	2,257,477
Security of persons and property	5,239,703	740,520	5,980,223
Public health and welfare	169,913	198,330	368,243
Transportation	358,086	707,641	1,065,727
Community environment	99,017	309,988	409,005
Leisure time activity	-	38,955	38,955
Other	-	31,195	31,195
Capital outlay	-	715,214	715,214
Debt service:			
Principal retirement	-	30,282	30,282
Interest and fiscal charges	-	5,052	5,052
Total expenditures	<u>7,255,534</u>	<u>3,645,839</u>	<u>10,901,373</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,579,764</u>	<u>(1,397,349)</u>	<u>1,182,415</u>
Other financing sources (uses):			
Transfers in	-	1,086,537	1,086,537
Transfers (out)	(1,086,537)	(10,310)	(1,096,847)
Loan proceeds	-	374,500	374,500
Total other financing sources (uses)	<u>(1,086,537)</u>	<u>1,450,727</u>	<u>364,190</u>
Net change in fund balances	1,493,227	53,378	1,546,605
Fund balances at beginning of year	<u>5,227,086</u>	<u>5,659,502</u>	<u>10,886,588</u>
Fund balances at end of year	<u>\$ 6,720,313</u>	<u>\$ 5,712,880</u>	<u>\$ 12,433,193</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FOSTORIA, 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, 2021

Net change in fund balances - total governmental funds		\$	1,546,605
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Capital outlay		\$ 1,184,913	
Depreciation expense		(849,050)	
Total		335,863	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Municipal income taxes		436,509	
Property and other taxes		22,112	
Intergovernmental		(339,580)	
Total		119,041	
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.			
			760,441
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability/asset are reported as pension expense in the statement of activities.			
			(435,659)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.			
			17,181
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as OPEB expense in the statement of activities.			
			619,171
Repayment of bond, lease and loan principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.			
OPWC loans		6,623	
Equipment loans		23,659	
Total		30,282	
In the statement of activities, interest is accrued on outstanding bonds and leases, whereas in governmental funds, an interest expenditure is reported when due.			
			3
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
			42,119
Change in net position of governmental activities		\$	2,660,547

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FOSTORIA, 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, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Municipal income taxes	\$ 6,600,000	\$ 6,600,000	\$ 7,119,710	\$ 519,710
Property and other taxes	1,434,600	1,434,600	1,461,701	27,101
Charges for services	493,300	493,300	500,865	7,565
Licenses and permits	13,600	13,600	20,679	7,079
Fines and forfeitures	3,600	3,600	2,814	(786)
Intergovernmental	363,900	363,900	403,586	39,686
Investment income	15,000	15,000	1,651	(13,349)
Rental income	42,600	42,600	80,477	37,877
Other	175,514	175,514	145,850	(29,664)
Total revenues	<u>9,142,114</u>	<u>9,142,114</u>	<u>9,737,333</u>	<u>595,219</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	2,940,101	1,871,822	1,378,955	492,867
Judicial	197,976	167,326	119,834	47,492
Security of persons and property	5,589,599	5,766,699	5,518,788	247,911
Public health and welfare	195,207	197,308	172,480	24,828
Transportation	672,640	738,639	579,971	158,668
Community environment	58,840	41,840	34,457	7,383
Total expenditures	<u>9,654,363</u>	<u>8,783,634</u>	<u>7,804,485</u>	<u>979,149</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(512,249)</u>	<u>358,480</u>	<u>1,932,848</u>	<u>1,574,368</u>
Other financing sources (uses):				
Sale of capital assets	-	-	22,636	22,636
Advances (out)	-	(100,000)	(100,000)	-
Transfers (out)	-	(1,205,629)	(1,146,537)	59,092
Total other financing sources (uses)	<u>-</u>	<u>(1,305,629)</u>	<u>(1,223,901)</u>	<u>81,728</u>
Net change in fund balances	(512,249)	(947,149)	708,947	1,656,096
Fund balance at beginning of year	4,094,719	4,094,719	4,094,719	-
Prior year encumbrances appropriated	730,917	730,917	730,917	-
Fund balance at end of year	<u>\$ 4,313,387</u>	<u>\$ 3,878,487</u>	<u>\$ 5,534,583</u>	<u>\$ 1,656,096</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FOSTORIA, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2021

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents.	\$ 1,302,059	\$ 4,107,262	\$ 5,409,321
Receivables (net of allowance for uncollectibles):			
Accounts	577,551	485,148	1,062,699
Due from other governments.	226,648	1,178	227,826
Materials and supplies inventory	26,058	183,965	210,023
Prepayments	29,604	20,883	50,487
Total current assets	<u>2,161,920</u>	<u>4,798,436</u>	<u>6,960,356</u>
Noncurrent assets:			
Net pension asset	19,338	15,328	34,666
Net OPEB asset	100,081	79,325	179,406
Capital assets:			
Nondepreciable capital assets	8,604,038	13,931,986	22,536,024
Depreciable capital assets, net	10,771,510	15,319,758	26,091,268
Total capital assets, net.	<u>19,375,548</u>	<u>29,251,744</u>	<u>48,627,292</u>
Total noncurrent assets	<u>19,494,967</u>	<u>29,346,397</u>	<u>48,841,364</u>
Total assets.	<u>21,656,887</u>	<u>34,144,833</u>	<u>55,801,720</u>
Deferred outflows of resources:			
Pension	119,906	102,200	222,106
OPEB	51,268	45,430	96,698
Total deferred outflows of resources	<u>171,174</u>	<u>147,630</u>	<u>318,804</u>
Liabilities:			
Current liabilities:			
Accounts payable.	119,472	46,730	166,202
Contracts payable.	482,738	923,955	1,406,693
Accrued wages and benefits	16,150	11,755	27,905
Due to other governments	262	185	447
Pension and postemployment benefits payable	11,704	9,321	21,025
Accrued interest payable	-	53,941	53,941
Current portion of compensated absences	78,339	65,406	143,745
Current portion of OWDA loans	49,643	277,779	327,422
Current portion of OPWC loans	26,392	19,411	45,803
Total current liabilities.	<u>784,700</u>	<u>1,408,483</u>	<u>2,193,183</u>
Long-term liabilities:			
OWDA loans	421,964	16,779,861	17,201,825
OPWC loans.	21,235	95,043	116,278
Compensated absences.	42,830	35,760	78,590
Net pension liability.	843,669	668,696	1,512,365
Total long-term liabilities.	<u>1,329,698</u>	<u>17,579,360</u>	<u>18,909,058</u>
Total liabilities	<u>2,114,398</u>	<u>18,987,843</u>	<u>21,102,241</u>
Deferred inflows of resources:			
Pension	399,896	387,547	787,443
OPEB	315,821	292,869	608,690
Total deferred inflows of resources	<u>715,717</u>	<u>680,416</u>	<u>1,396,133</u>
Net position:			
Net investment in capital assets.	18,373,576	11,155,384	29,528,960
Unrestricted.	624,370	3,468,820	4,093,190
Total net position.	<u>\$ 18,997,946</u>	<u>\$ 14,624,204</u>	<u>\$ 33,622,150</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FOSTORIA, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Operating revenues:			
Charges for services	\$ 3,499,949	\$ 3,421,494	\$ 6,921,443
Other	43,013	10,767	53,780
Total operating revenues.	<u>3,542,962</u>	<u>3,432,261</u>	<u>6,975,223</u>
Operating expenses:			
Personal services	483,378	273,243	756,621
Contract services.	403,046	580,352	983,398
Materials and supplies.	1,154,560	1,086,902	2,241,462
Utilities	1,820	253,422	255,242
Depreciation.	455,729	713,667	1,169,396
Total operating expenses	<u>2,498,533</u>	<u>2,907,586</u>	<u>5,406,119</u>
Operating income	1,044,429	524,675	1,569,104
Nonoperating expenses:			
Interest expense and fiscal charges	-	(109,758)	(109,758)
Total nonoperating expenses	<u>-</u>	<u>(109,758)</u>	<u>(109,758)</u>
Income before transfers and capital contributions.	<u>1,044,429</u>	<u>414,917</u>	<u>1,459,346</u>
Transfer in	1,486	11,516	13,002
Transfer out	(2,692)	-	(2,692)
Capital contributions.	225,107	-	225,107
Change in net position	1,268,330	426,433	1,694,763
Net position at beginning of year	<u>17,729,616</u>	<u>14,197,771</u>	<u>31,927,387</u>
Net position at end of year	<u>\$ 18,997,946</u>	<u>\$ 14,624,204</u>	<u>\$ 33,622,150</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF FOSTORIA, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2021

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Cash flows from operating activities:			
Cash received from customers	\$ 3,445,908	\$ 3,339,808	\$ 6,785,716
Cash received from other operations	41,472	9,589	51,061
Cash payments for personal services	(1,323,725)	(953,595)	(2,277,320)
Cash payments for contractual services	(382,199)	(578,901)	(961,100)
Cash payments for materials and supplies	(1,108,587)	(1,310,071)	(2,418,658)
Cash payments for utilities	(11,423)	(241,512)	(252,935)
Net cash provided by operating activities.	<u>661,446</u>	<u>265,318</u>	<u>926,764</u>
Cash flows from noncapital financing activities:			
Cash received from transfers in	1,486	11,516	13,002
Cash used in transfers out	(2,692)	-	(2,692)
Net cash provided by (used in) noncapital financing activities.	<u>(1,206)</u>	<u>11,516</u>	<u>10,310</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(187,026)	(7,445,138)	(7,632,164)
Loan issuance.	-	7,964,983	7,964,983
Principal retirement on loans	(79,160)	(289,689)	(368,849)
Interest paid on loans	-	(113,482)	(113,482)
Net cash used in capital and related financing activities.	<u>(266,186)</u>	<u>116,674</u>	<u>(149,512)</u>
Net increase in cash and cash equivalents	394,054	393,508	787,562
Cash and cash equivalents at beginning of year. . . .	<u>908,005</u>	<u>3,713,754</u>	<u>4,621,759</u>
Cash and cash equivalents at end of year	<u>\$ 1,302,059</u>	<u>\$ 4,107,262</u>	<u>\$ 5,409,321</u>

- - Continued

CITY OF FOSTORIA, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2021

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,044,429	\$ 524,675	\$ 1,569,104
Adjustments:			
Depreciation.	455,729	713,667	1,169,396
Changes in assets and liabilities:			
Change in materials and supplies inventory.	(1,029)	(170,707)	(171,736)
Change in accounts receivable	(54,041)	(81,686)	(135,727)
Change in due from other governments.	(1,541)	(1,178)	(2,719)
Change in prepayments	(4,270)	(3,668)	(7,938)
Change in net pension asset	(8,011)	(5,397)	(13,408)
Change in net OPEB asset	(100,081)	(79,325)	(179,406)
Change in deferred outflows - pension	54,709	61,353	116,062
Change in deferred outflows - OPEB	72,568	71,410	143,978
Change in accounts payable	59,227	(38,781)	20,446
Change in accrued wages and benefits	3,275	997	4,272
Change in pension and post employment benefits payable	1,059	(112)	947
Change in net pension liability	(295,143)	(329,666)	(624,809)
Change in net OPEB liability	(777,639)	(681,733)	(1,459,372)
Change in deferred inflows - pension	81,030	119,974	201,004
Change in deferred inflows - OPEB	163,641	169,818	333,459
Change in due to other governments	262	185	447
Change in compensated absences payable.	(32,728)	(4,508)	(37,236)
Net cash provided by operating activities	<u>\$ 661,446</u>	<u>\$ 265,318</u>	<u>\$ 926,764</u>

At December 31, 2021, the water fund purchased \$482,738 in capital assets on account.
 At December 31, 2021, the sewer fund purchased \$923,955 in capital assets on account.
 At December 31, 2020, the sewer fund purchased \$26,772 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FOSTORIA, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021

	<u>Private-Purpose Trust</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 10,340
Total assets.	<u>10,340</u>
Net position:	
Held in trust for other purposes	<u>10,340</u>
Total net position	<u>\$ 10,340</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FOSTORIA, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Private-Purpose Trust</u>
Net position at beginning of year.	\$ 10,340
Net position at end of year	<u>\$ 10,340</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - DESCRIPTION OF THE CITY

The City of Fostoria, Ohio (the “City”), located in Seneca County, is a politic and corporate body established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio and its charter. The City operates under a Council/Mayor form of government and provides the following services to its residents: public safety, public services, recreation and development.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39 “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61 “The Financial Reporting Entity: Omnibus”. The City includes in its reporting entity all funds, account groups, agencies and departments over which the City’s executive or legislative branches (the Mayor or Council, respectively) exercise primary oversight responsibility. Based on application of the criteria set forth in GASB Statement No. 14 as amended by GASB Statement No. 39 and GASB Statement No. 61, the City evaluated potential component units (PCU) for inclusion based on financial accountability, the nature and significance of their relationship to the City, and whether exclusion would cause the financial statements to be misleading or incomplete. Among the factors considered were whether the City holds the PCU’s corporate power, appoints a voting majority of the PCU’s board, is able to impose its will on the PCU, or whether a financial benefit/burden relationship exists between the City and the PCU. To provide necessary services to its citizens, the City of Fostoria is divided into various departments including police, fire fighting and prevention, emergency medical services, street maintenance, parks and recreation, public service and planning, and zoning. The operation of each of these departments is directly controlled by the City through the budgetary process and therefore is included as a part of the reporting entity.

Based on the foregoing criteria, the City has no component units. The following organization is described due to their relationship to the City:

JOINTLY GOVERNED ORGANIZATION

Fostoria Economic Development Corporation (FEDC) - The City is a participant in FEDC, which is an association of businesses and government within the City. The organization was formed for the purpose of fostering economic growth, encouraging new industries, and developing employment opportunities in the City. The Governing Board of FEDC includes two representatives of the City; in addition, the City Auditor sits on the finance committee. Financial information can be obtained from Dennis Hellman, who serves as director, at 121 North Main Street, Fostoria, Ohio 44830.

The City has entered into an open-ended mortgage with FEDC. Since November 1994, the City has loaned \$863,300 for the purpose of building and maintaining a spec building in the Industrial Park of the City. Upon sale of the building to an industry, FEDC will repay the loan.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

RELATED ORGANIZATION

Kaubisch Memorial Public Library - The Kaubisch Memorial Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the mayor of the City of Fostoria. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the City for operational subsidies. Although the City does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Kaubisch Memorial Public Library, c/o Clerk/Treasurer, at 205 Perry St., Fostoria, Ohio 44830.

B. Basis of Presentation - Fund Accounting

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise fund include personnel and other expenses related to sewer and water operations. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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

The private-purpose trust fund is reported using the economic resources measurement focus.

C. Fund Accounting

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

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

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

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds - Proprietary fund reporting focuses on changes in net position, financial position and cash flows. The City's only proprietary funds are enterprise funds.

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

Water fund - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City and to persons owning property adjacent to the corporation limits. The City also sells water to the Northwestern Water District and the Village of Arcadia.

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

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City's fiduciary funds are private-purpose trusts. The City's private-purpose funds account for the Brubaker Trust, Henry H. Geary Jr. Trust, Laverne May Trust and Beard Flower Trust.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

D. Measurement Focus and Basis of Accounting

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

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

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

E. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, see Notes 14 and 15 for deferred outflows of resources related the City's net pension liability and net OPEB liability, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2021, but which were levied to finance 2022 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes, special assessments and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the City, see Notes 14 and 15 for deferred inflows of resources related to the City's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

F. Budgetary Data

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 appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds legally required to be budgeted and appropriated.

The legal level of budgetary control is at the department/program/object level in the general fund and at the personal services level for the remaining funds. All other expenses are grouped together for the remaining funds. Although statutes require that all funds be budgeted, it is not necessary to do so if City Council does not anticipate expenditure of the available funds.

Segregated cash accounts are not included in the budgetary presentation because they are not controlled by the City and the departments do not adopt separate budgets. Advances-in and advances-out are not required to be budgeted since they represent a cash flow resource. Budgetary modifications may only be made by resolution of the City Council.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Tax Budget - During the first Council meeting in July, the Mayor presents the following fiscal year's annual operating budget to City Council for consideration and passage. The adopted budget is 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. The budget includes proposed expenditures and the means of financing for all funds. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official 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 will 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 encumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Auditor determines, and the Budget Commission agrees, that an estimates need to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the original and final amended official certificates of estimated resources issued during 2021.

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the legal level of budgetary control. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The amounts on the budgetary statement reflect the original and final appropriation amounts, including all amendments and modifications, legally enacted by Council.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

G. Cash and Cash Equivalents

Cash balances of the City's funds are pooled and invested in investments maturing within ten years in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the balance sheet as "equity in pooled cash and cash equivalents" on the financial statements.

During 2021, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2021, 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 \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2021 amounted to \$1,651, \$966 of which was assigned from other funds of the City.

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

The Hancock County Auditor maintains undistributed permissive tax received. The balance of this account at December 31, 2021 was \$91,556. This account is presented on the financial statements as “cash and cash equivalents with fiscal agent”.

H. Inventories of Materials and Supplies

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

On fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of current assets.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City’s infrastructure consists of bridges, curbs, sidewalks, storm sewers, streets, alleys, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	15 - 20 years	15 - 20 years
Buildings	20 - 45 years	50 years
Machinery and equipment	5 - 30 years	5 - 20 years
Vehicles	3 - 10 years	3 - 10 years
Infrastructure	10 - 50 years	80 years

J. Compensated Absences

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

In conformity with GASB Statement No. 16, "Accounting for Compensated Absences", vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or older with at least ten (10) years of service or any age with at least twenty (20) years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

L. Interfund Balances

On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as “advances to/from other funds”. On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable.” On fund financial statements, receivables and payables resulting from loans to cover negative fund cash balances are classified as “due to/from other funds.” These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

M. Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after 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 on the BFS.

N. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

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

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

CITY OF FOSTORIA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

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

O. Loans Receivable

Loans receivable represent the right to receive repayment for certain loans made by the City. These loans are based upon written agreements between the City and the various loan recipients.

P. Estimates

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

Q. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements.

R. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net position invested in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

S. Pensions/Other Postemployment Benefits (OPEB)

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

T. Fair Value Measurements

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.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2021, the City has implemented GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period."

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the City.

For 2021, the City has applied GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance" to GASB Statement Nos. 91, 92 and 93, which were originally due to be implemented in 2021 and to GASB Statement No. 87, which was originally due to be implemented in 2020. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following pronouncements are postponed by one year and the City has elected delaying implementation until the fiscal year ended December 31, 2022:

- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following pronouncements are postponed by eighteen months and the City has elected delaying implementation until the fiscal year ended December 31, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

B. Deficit Fund Balances

Fund balances at December 31, 2021 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Fire department grant	\$ 17,450
Grants - Brownfield	1,620
Police and fire pension	53,024
Fostoria area visitors' bureau	653
AEP grant	100,000

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

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies may be deposited or invested in the following:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

The City may also invest any monies not required to be used for a period of six months or more in the following:

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

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash with Fiscal Agent

At December 31, 2021, \$91,556 was on deposit with the City’s fiscal agent for undistributed permissive tax received. This amount is excluded from the internal cash pool reported on the balance sheet as “equity in pooled cash and cash equivalents”.

B. Deposits with Financial Institutions

At December 31, 2021 the carrying amount of all City deposits, including cash with fiscal agent, was \$13,306,959. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2021, \$13,154,207 of the City’s bank balance of \$13,404,207 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City’s and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2021, the City’s financial institutions did not participate in OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

C. Investments

As of December 31, 2021, the City had the following investments and maturities:

<u>Measurement/ Investment type</u>	<u>Measurement Amount</u>	<u>Investment Maturity 6 months or less</u>
<i>Amortized Cost:</i> STAR Ohio	<u>\$ 2,847,602</u>	<u>\$ 2,847,602</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor’s has assigned STAR Ohio an AAAm money market rating.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities to the City Auditor or qualified trustee.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2021:

Measurement/ <u>Investment type</u>	Measurement <u>Amount</u>	<u>% to Total</u>
STAR Ohio	<u>\$ 2,847,602</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2021:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 13,306,959
Investments	<u>2,847,602</u>
Total	<u>\$ 16,154,561</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 10,734,900
Business-type activities	5,409,321
Private-purpose trust funds	<u>10,340</u>
Total	<u>\$ 16,154,561</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended December 31, 2021, consisted of the following, as reported in the fund financial statements:

<u>Transfers to</u>	<u>Transfers from</u>			<u>Total</u>
	<u>General</u>	<u>Water</u>	<u>Nonmajor Governmental Funds</u>	
Nonmajor governmental funds	\$ 1,086,537	\$ -	\$ -	\$ 1,086,537
Water fund	-	-	1,486	1,486
Sewer fund	-	<u>2,692</u>	<u>8,824</u>	<u>11,516</u>
Total	<u>\$ 1,086,537</u>	<u>\$ 2,692</u>	<u>\$ 10,310</u>	<u>\$ 1,099,539</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated on the government-wide financial statements. Transfers between governmental activities and business-type activities are reported as transfers on the statement of activities.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

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

- B.** Advances to/from other funds consisted of the following at December 31, 2021, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 17,450

Advances to/from other funds balances between governmental funds are eliminated on the government-wide financial statements.

- C.** Interfund loans consisted of the following at December 31, 2021, as reported on the fund financial statements.

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 100,000
Total		<u>\$ 100,000</u>

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

- D.** Due from other funds and due to other funds consisted of the following at December 31, 2021, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 3,166
Total		<u>\$ 3,166</u>

The primary purpose of the due to/from balances is to cover costs in specific funds where revenues were not received by December 31st. These balances will be repaid once the anticipated revenues are received. Due to between governmental funds have been eliminated on the government-wide basic financial statements.

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2021 public utility property taxes became a lien December 31, 2020, are levied after October 1, 2021, and are collected in 2022 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

CITY OF FOSTORIA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 6 - PROPERTY TAXES – (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Fostoria. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2021 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow since the current taxes were not levied to finance 2021 operations and the collection of delinquent taxes has been offset by a deferred inflow since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow.

The full tax rate applied to real property and tangible personal property for the year ended December 31, 2021 were as follows:

Seneca County - \$10.80 per \$1,000 of assessed valuation
Wood County - \$10.30 per \$1,000 of assessed valuation
Hancock County - \$9.40 per \$1,000 of assessed valuation

Real property

Residential/agricultural	\$ 108,260,850
Commercial/industrial/mineral	45,983,480
Public utility	<u>14,942,520</u>
Total assessed value	<u>\$ 169,186,850</u>

NOTE 7 - LOCAL INCOME TAX

This locally levied tax of 2 percent is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the City, and to earnings of nonresidents (except certain transients) earned in the City. It also applies to net income of for-profit organizations conducting business within the City. Income tax revenue is reported to the extent that it was measurable and available to finance current operations at December 31. Income tax revenue for 2021 was \$7,179,405 as reported on the fund financial statements.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2021, consisted of taxes, accounts (billings for user charged services), payment in lieu of taxes, loans, special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2021, as well as intended to finance 2021 operations.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 8 – RECEIVABLES – (Continued)

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

Governmental activities:

Income taxes	\$	2,433,343
Real and other taxes		1,935,635
Accounts		82,971
Payment in lieu of taxes		14,441
Due from other governments		1,820,191
Loans		1,574,597

Business-type activities:

Accounts		1,062,699
Due from other governments		227,826

Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year are the loans, which are collected over the life of the loan agreements.

NOTE 9 - LOANS RECEIVABLE

The Fostoria City Council created the Revolving Loan Committee and granted them the authority to act on behalf of the City in making loans from the City's Revolving Loan Fund to qualified applicants within the revolving loan fund geographic area. At the close of 2021, there were loans outstanding to businesses with a total principal balance due of \$1,574,597.

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CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - CAPITAL ASSETS

<u>Governmental activities:</u>	<u>Balance</u> <u>12/31/20</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/21</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,932,021	\$ -	\$ -	\$ 1,932,021
Construction in progress	<u>55,368</u>	<u>476,522</u>	<u>(408,891)</u>	<u>122,999</u>
Total capital assets, not being depreciated	<u>1,987,389</u>	<u>476,522</u>	<u>(408,891)</u>	<u>2,055,020</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	620,679	-	-	620,679
Buildings	7,766,311	408,891	-	8,175,202
Machinery and equipment	2,406,043	310,002	-	2,716,045
Vehicles	3,415,546	398,389	-	3,813,935
Infrastructure	<u>17,209,721</u>	<u>-</u>	<u>-</u>	<u>17,209,721</u>
Total capital assets, being depreciated	<u>31,418,300</u>	<u>1,117,282</u>	<u>-</u>	<u>32,535,582</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(446,076)	(11,685)	-	(457,761)
Buildings	(6,624,994)	(87,038)	-	(6,712,032)
Machinery and equipment	(1,919,182)	(92,141)	-	(2,011,323)
Vehicles	(2,672,233)	(208,974)	-	(2,881,207)
Infrastructure	<u>(6,625,639)</u>	<u>(449,212)</u>	<u>-</u>	<u>(7,074,851)</u>
Total accumulated depreciation	<u>(18,288,124)</u>	<u>(849,050)</u>	<u>-</u>	<u>(19,137,174)</u>
Total capital assets, being depreciated, net	<u>13,130,176</u>	<u>268,232</u>	<u>-</u>	<u>13,398,408</u>
Government-type activities capital assets, net	<u>\$ 15,117,565</u>	<u>\$ 744,754</u>	<u>\$ (408,891)</u>	<u>\$ 15,453,428</u>

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CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - CAPITAL ASSETS - (Continued)

	<u>Balance</u> 12/31/20	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> 12/31/21
<u>Business-type activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 8,429,538	\$ -	\$ -	\$ 8,429,538
Construction in progress	<u>5,407,890</u>	<u>8,698,596</u>	<u>-</u>	<u>14,106,486</u>
Total capital assets, not being depreciated	<u>13,837,428</u>	<u>8,698,596</u>	<u>-</u>	<u>22,536,024</u>
<i>Capital assets, being depreciated:</i>				
Buildings	14,582,015	8,000	-	14,590,015
Machinery and equipment	3,266,743	305,489	-	3,572,232
Vehicles	1,731,257	-	-	1,731,257
Infrastructure	<u>31,333,522</u>	<u>-</u>	<u>-</u>	<u>31,333,522</u>
Total capital assets, being depreciated	<u>50,913,537</u>	<u>313,489</u>	<u>-</u>	<u>51,227,026</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(7,960,874)	(195,547)	-	(8,156,421)
Machinery and equipment	(1,314,614)	(208,761)	-	(1,523,375)
Vehicles	(999,874)	(92,703)	-	(1,092,577)
Infrastructure	<u>(13,691,000)</u>	<u>(672,385)</u>	<u>-</u>	<u>(14,363,385)</u>
Total accumulated depreciation	<u>(23,966,362)</u>	<u>(1,169,396)</u>	<u>-</u>	<u>(25,135,758)</u>
Total capital assets, being depreciated, net	<u>26,947,175</u>	<u>(855,907)</u>	<u>-</u>	<u>26,091,268</u>
Business-type activities capital assets, net	<u>\$ 40,784,603</u>	<u>\$ 7,842,689</u>	<u>\$ -</u>	<u>\$ 48,627,292</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General government	\$ 65,263
Security of persons and property	237,171
Public health and welfare	12,851
Transportation	491,314
Community environment	400
Leisure time activity	<u>42,051</u>
Total depreciation expense - governmental activities	<u>\$ 849,050</u>

Business-type activities:

Water	\$ 455,729
Sewer	<u>713,667</u>
Total depreciation expense - business-type activities	<u>\$ 1,169,396</u>

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - ACCUMULATED UNPAID EMPLOYEE BENEFITS

The City accrues unpaid vacation as it is earned and certain portions of sick leave pay as payment becomes probable.

All employees except firefighters: Sick leave accumulates at the rate of 4.6 hours of sick leave for 80 hours of work completed. Sick leave is accumulated and may be converted into cash upon retirement up to 135 days. Any employee who accumulates 120 sick days (960 hours) is paid on December 31st of each year a cash payment for any accumulated sick days over 120 days but such payment shall not exceed 15 days (120 hours). Individuals leaving the employment of the City prior to retirement or at retirement lose their accumulated sick leave. A liability has been recognized in the accompanying financial statements for sick leave for only the employees who are age 50 or older, or have twenty years with local government employment.

Firefighters: Sick leave accumulates at the rate of 10 hours per month. Any firefighter who accumulates in excess of 960 hours receives a cash payment for the amount of the excess. A firefighter who retires from the department is eligible for cash payment of the sick leave balance. A liability has been recognized in the accompanying financial statements for sick leave for firefighters who are age 50 or older, or have twenty years with local government employment.

Vacation is accumulated based upon length of service as follows:

<u>Uniform Service</u>	<u>Employee Hours Earned / Bi-weekly</u>	<u>Non-Uniform Service</u>	<u>Time Off - (Hours)</u>
After 1 year	80 Hours	After 1 year	40 Hours
After 8 years	120 Hours	After 2 years	80 Hours
After 12 years	160 Hours	After 5 years	98 Hours
After 18 years	200 Hours	After 8 years	120 Hours
After 25 years	240 Hours	After 10 years	136 Hours
		After 12 years	160 Hours
		After 15 years	176 Hours
		After 18 years	200 Hours
		After 20 years	216 Hours
		After 25 years	240 Hours

The accrued vacation and sick leave benefits have been recorded on the government-wide financial statements. The liability for vacation and sick leave is accrued in the funds from which the liability will be paid.

NOTE 12 - LONG-TERM OBLIGATIONS

A. During 2021, the following changes occurred in the City's governmental long-term obligations.

	<u>Balance</u>				<u>Balance</u>	<u>Due</u>
	<u>12/31/20</u>	<u>Additions</u>	<u>Reductions</u>		<u>12/31/21</u>	<u>Within</u>
						<u>One Year</u>
Governmental activities:						
OPWC loan - direct borrowing	\$ 56,299	\$ -	\$ (6,623)		\$ 49,676	\$ 6,624
Equipment loans	135,384	374,500	(23,659)		486,225	82,176
Compensated absences payable	752,164	200,393	(242,512)		710,045	249,787
Net pension liability	9,328,435	-	(598,665)		8,729,770	-
Net OPEB liability	2,035,699	24,425	(850,508)		1,209,616	-
Total governmental activities	<u>\$ 12,307,981</u>	<u>\$ 599,318</u>	<u>\$ (1,721,967)</u>		<u>\$ 11,185,332</u>	<u>\$ 338,587</u>

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. During 2021, the following changes occurred in the City's business-type activities long-term obligations:

	Interest	Balance			Balance	Amounts
	<u>Rate</u>	<u>12/31/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/21</u>	<u>Due in</u>
						<u>One Year</u>
Business-type activities:						
<u>OWDA loans payable - direct borrowing:</u>						
OWDA loan #5426	0.00%	\$ 521,250	\$ -	\$ (49,643)	\$ 471,607	\$ 49,643
OWDA loan #6498	2.57%	3,402,942	-	(196,409)	3,206,533	201,489
OWDA loan #5702	3.20%	857,688	-	(73,869)	783,819	76,290
OWDA loan #7946/8807	0.00%	5,102,305	7,964,983	-	13,067,288	-
Total OWDA loans		<u>9,884,185</u>	<u>7,964,983</u>	<u>(319,921)</u>	<u>17,529,247</u>	<u>327,422</u>
<u>OPWC loans payable - direct borrowing:</u>						
Columbus Avenue	0.00%	57,540	-	(3,110)	54,430	3,111
Culbertson Street Water Tower	0.00%	3,127	-	(3,127)	-	-
North Poplar Street						
Sanitary Sewer and Waterline	0.00%	14,954	-	(7,477)	7,477	7,477
Zeller Road South Water Tower						
Cleaning and Painting	0.00%	39,348	-	(19,674)	19,674	19,674
Spruce Street Waterline Improvements	0.00%	2,999	-	(1,499)	1,500	1,500
Jackson Street Waterline	0.00%	20,520	-	(3,731)	16,789	3,731
Vine Street and Arbor Street						
Improvements	0.00%	31,227	-	(4,804)	26,423	4,804
Central Avenue and Arbor						
Street Improvements	0.00%	41,294	-	(5,506)	35,788	5,506
Total OPWC loans		<u>211,009</u>	<u>-</u>	<u>(48,928)</u>	<u>162,081</u>	<u>45,803</u>
<u>Other long-term obligations:</u>						
Compensated absences payable		259,571	102,322	(139,558)	222,335	143,745
Net pension liability		2,137,174	-	(624,809)	1,512,365	-
Net OPEB liability		1,459,372	-	(1,459,372)	-	-
Total other long-term obligations		<u>3,856,117</u>	<u>102,322</u>	<u>(2,223,739)</u>	<u>1,734,700</u>	<u>143,745</u>
Total business-type activities		<u>\$ 13,951,311</u>	<u>\$ 8,067,305</u>	<u>\$ (2,592,588)</u>	<u>\$ 19,426,028</u>	<u>\$ 516,970</u>

C. The Ohio Public Works Commission (OPWC) loans are general obligations of the City, and will be repaid from the City's general operating revenues. Business-type activities principal payments are recorded in the water and sewer funds. The governmental activities principal payment will be recorded in the infrastructure capital improvement fund, a nonmajor governmental fund. The OPWC loans are interest free, providing repayment remains current.

The OPWC loan agreements require the City to insure the project against loss or damage. Any insurance policy issued shall be so written or endorsed as to make losses, if any, payable to the OPWC. Each insurance policy shall also contain a provision that the insurance company shall not cancel the policy without first giving written notice to the OPWC at least ten days in advance of such cancellation.

OPWC loans are direct borrowings that have terms negotiated directly between the City and the OPWC and are not offered for public sale. In the event of default, the OPWC may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

During 2019, the City entered into a loan agreement for an ambulance in the amount of \$174,594. This loan bears an interest rate of 3.99% and matures January 22, 2026. In 2021, the City entered into a loan agreement for a fire truck in the amount of \$374,500. This loan bears an interest rate of 3.01% and matures on January 15, 2028. These loans are paid from the general capital improvements fund, a nonmajor governmental fund.

For more details on net pension liability and net OPEB liability see Notes 14 and 15.

The compensated absences liability will be paid from the following funds: general fund, street construction, maintenance & repair fund, termination benefits fund, water fund and sewer fund.

The City has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund construction projects. The amounts due to the OWDA are payable solely from water and sewer fund revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2021, the City has outstanding borrowings of \$17,529,247. The loan agreements require semi-annual payments based on the permissible borrowings rather than the actual amount loaned. These payments are reflected in the future maturities of principal and interest table and are subject to revision if the total amount is not drawn down. The City has pledged future water and sewer revenues to repay OWDA loans. The loans are payable solely from water and sewer fund revenues and are payable through 2035. Annual principal and interest payments on the loans are expected to require 40.39 percent of net revenues. The total principal and interest remaining to be paid on the loans is \$18,264,475. Principal and interest paid for the current year were \$472,021 and total customer net revenues were \$3,650,840.

OWDA loans are direct borrowings that have terms negotiated directly between the City and the OWDA and are not offered for public sale. In the event of default, the OWDA may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

D. A summary of the City’s future debt service requirements as of December 31, 2021 follows:

Future Payment Due In	Business-Type Activities - Direct Borrowings			
	OWDA Loans			OPWC Loans
	Principal	Interest	Total	Principal Only
2022	\$ 327,422	\$ 105,980	\$ 433,402	\$ 45,803
2023	335,133	98,270	433,403	17,152
2024	343,061	90,342	433,403	17,150
2025	351,211	82,191	433,402	17,151
2026	359,591	73,812	433,403	15,286
2027-2031	1,805,348	235,690	2,041,038	26,212
2032-2036	940,193	48,944	989,137	15,551
2037-2039	-	-	-	7,776
Total	\$ 4,461,959	\$ 735,229	\$ 5,197,188	\$ 162,081

OWDA loan #7946/8807 has not been finalized, therefore no amortization schedule is available. The balance of this loan is not included in the table above.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Future Payment Due In	Governmental Activities			OPWC Loan
	Equipment Loans			Direct Borrowing
	Principal	Interest	Total	Principal Only
2022	\$ 82,176	\$ 5,063	\$ 87,239	\$ 6,624
2023	74,599	12,640	87,239	6,623
2024	77,113	10,129	87,242	6,624
2025	79,711	7,530	87,241	6,623
2026	60,651	5,056	65,707	6,624
2027-2029	111,975	5,083	117,058	16,558
Total	<u>\$ 486,225</u>	<u>\$ 45,501</u>	<u>\$ 531,726</u>	<u>\$ 49,676</u>

E. The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2021 the City’s total voted debt margin was \$17,764,619 and the unvoted debt margin was \$9,305,277.

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters.

The City is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity’s) policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2021:

	2021
Cash and investments	\$ 41,996,850
Actuarial liabilities	\$ 14,974,099

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - RISK MANAGEMENT - (Continued)

The City has elected to offer employee medical insurance benefits through a plan provided by Cigna. Employees are required to pay 10% of covered expenses to an annual maximum out-of-pocket of \$500 for single coverage and \$1,000 for family coverage. The City pays 85% of the premium for the plans. For the plan, each month the City contributes \$522.87 for single coverage and \$1,516.32 for family coverage.

Dental insurance is provided through Guardian Dental with a deductible of \$50 per person per year (\$150 family maximum per year). The City pays a \$11.35 administrative fee to Guardian Dental per month per enrolled employee and reimburses Guardian Dental for actual claims incurred.

Prescription Drug Benefits are obtained through Express Scripts. Employees are required to make a co-pay of \$5 for generic prescriptions and \$10 for brand prescriptions.

Vision insurance is provided through MedBen. The City pays a \$2.05 administrative fee to MedBen per month per enrolled employee and reimburses MedBen for actual claims incurred.

The City insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from 2020.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Asset and Net OPEB Liability/Asset

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

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

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

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

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The remainder of this note includes the pension disclosures. See Note 15 for the OPEB disclosures.

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

	State and Local
2021 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2021 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits **	0.0 %
Total Employer	14.0 %
Employee	10.0 %

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

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

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$344,933 for 2021. Of this amount, \$35,912 is reported as pension and postemployment benefits payable.

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

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

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

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

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

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - 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>
2021 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2021 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$627,629 for 2021. Of this amount, \$64,424 is reported as pension and postemployment benefits payable.

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

The net pension liability and net pension asset for OPERS was measured as of December 31, 2020, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2020, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

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

	<u>OPERS - Traditional</u>	<u>OPERS - Combined</u>	<u>OPERS - Member- Directed</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net pension liability/asset prior measurement date	0.01711400%	0.01599100%	0.00795800%	0.11998620%	
Proportion of the net pension liability/asset current measurement date	<u>0.01660800%</u>	<u>0.01896400%</u>	<u>0.00893800%</u>	<u>0.11416680%</u>	
Change in proportionate share	<u>-0.00050600%</u>	<u>0.00297300%</u>	<u>0.00098000%</u>	<u>-0.00581940%</u>	
Proportionate share of the net pension liability	\$ 2,459,282	\$ -	\$ -	\$ 7,782,853	\$ 10,242,135
Proportionate share of the net pension asset	-	(54,742)	(1,629)	-	(56,371)
Pension expense	(125,845)	1,291	(1,169)	452,352	326,629

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Deferred outflows of resources					
Differences between expected and actual experience	\$ -	\$ -	\$ 1,122	\$ 325,349	\$ 326,471
Changes of assumptions	-	3,422	47	130,522	133,991
Changes in employer's proportionate percentage/difference between employer contributions	15,879	-	-	205,462	221,341
Contributions subsequent to the measurement date	320,096	9,772	15,065	627,629	972,562
Total deferred outflows of resources	<u>\$ 335,975</u>	<u>\$ 13,194</u>	<u>\$ 16,234</u>	<u>\$ 1,288,962</u>	<u>\$ 1,654,365</u>
Deferred inflows of resources					
Differences between expected and actual experience	\$ 102,874	\$ 10,329	\$ -	\$ 303,193	\$ 416,396
Net difference between projected and actual earnings on pension plan investments	958,557	8,146	178	377,518	1,344,399
Changes in employer's proportionate percentage/difference between employer contributions	148,270	-	-	976,190	1,124,460
Total deferred inflows of resources	<u>\$ 1,209,701</u>	<u>\$ 18,475</u>	<u>\$ 178</u>	<u>\$ 1,656,901</u>	<u>\$ 2,885,255</u>

\$972,562 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/asset in the year ending December 31, 2022.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Year Ending December 31:	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
2022	\$ (510,203)	\$ (3,922)	\$ 123	\$ (355,153)	\$ (869,155)
2023	(162,146)	(2,493)	151	(22,102)	(186,590)
2024	(390,739)	(4,368)	113	(465,657)	(860,651)
2025	(130,734)	(2,037)	136	(127,074)	(259,709)
2026	-	(874)	140	(25,582)	(26,316)
Thereafter	-	(1,359)	328	-	(1,031)
Total	<u>\$ (1,193,822)</u>	<u>\$ (15,053)</u>	<u>\$ 991</u>	<u>\$ (995,568)</u>	<u>\$ (2,203,452)</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2020, are presented below.

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

In October 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.40% simple through 2020 then 2.15% simple to 0.50% simple through 2021 then 2.15% simple.

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.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

During 2020, 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 11.70% for 2020.

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

For each major asset class that is included in the Defined Benefit portfolio’s target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	25.00 %	1.32 %
Domestic equities	21.00	5.64
Real estate	10.00	5.39
Private equity	12.00	10.42
International equities	23.00	7.36
Other investments	9.00	4.75
Total	<u>100.00 %</u>	<u>5.43 %</u>

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2020 was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate -
The following table presents the proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.20%, as well as what the proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.20%) or one-percentage-point higher (8.20%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 4,691,096	\$ 2,459,282	\$ 603,535
Combined Plan	(38,118)	(54,742)	(67,133)
Member-Directed Plan	(1,430)	(1,629)	(1,788)

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2021, are presented below.

Valuation date	1/1/20 with actuarial liabilities rolled forward to 12/31/20
Actuarial cost method	Entry age normal (level percent of payroll)
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25% per annum, compounded annually, consisting of inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of living adjustments	2.20% per year simple

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

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

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return **
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation		
Linked Bonds *	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	125.00 %	

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

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

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00%, 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%), or one percentage point higher (9.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 10,834,729	\$ 7,782,853	\$ 5,228,742

NOTE 15 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 14 for a description of the net OPEB liability/asset.

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

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

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

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

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$6,026 for 2021. Of this amount, \$627 is reported as pension and postemployment benefits payable.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$14,861 for 2021. Of this amount, \$1,525 is reported as pension and postemployment benefits payable.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

The net OPEB liability/asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, 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, 2020, and was determined by rolling forward the total OPEB liability as of January 1, 2020, to December 31, 2020. 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>
Proportion of the net OPEB liability			
prior measurement date	0.01672300%	0.11998620%	
Proportion of the net OPEB liability/asset			
current measurement date	<u>0.01637500%</u>	<u>0.11416680%</u>	
Change in proportionate share	<u>-0.00034800%</u>	<u>-0.00581940%</u>	
Proportionate share of the net OPEB liability	\$ -	\$ 1,209,616	\$ 1,209,616
Proportionate share of the net OPEB asset	(291,735)	-	(291,735)
OPEB expense	(1,847,491)	70,684	(1,776,807)

At December 31, 2021, 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 of assumptions	\$ 143,420	\$ 668,248	\$ 811,668
Changes in employer's proportionate percentage/ difference between employer contributions	16,944	194,721	211,665
Contributions subsequent to the measurement date	6,026	14,861	20,887
Total deferred outflows of resources	<u>\$ 166,390</u>	<u>\$ 877,830</u>	<u>\$ 1,044,220</u>

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

	OPERS	OP&F	Total
Deferred inflows of resources			
Differences between expected and actual experience	\$ 263,288	\$ 199,520	\$ 462,808
Net difference between projected and actual earnings on OPEB plan investments	155,380	44,950	200,330
Changes of assumptions	472,696	192,836	665,532
Changes in employer's proportionate percentage/difference between employer contributions	73,451	358,729	432,180
Total deferred inflows of resources	<u>\$ 964,815</u>	<u>\$ 796,035</u>	<u>\$ 1,760,850</u>

\$20,887 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 the year ending December 31, 2022.

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

	OPERS	OP&F	Total
Year Ending December 31:			
2022	\$ (435,169)	\$ 6,885	\$ (428,284)
2023	(283,454)	17,528	(265,926)
2024	(67,520)	746	(66,774)
2025	(18,308)	19,772	1,464
2026	-	14,737	14,737
Thereafter	-	7,266	7,266
Total	<u>\$ (804,451)</u>	<u>\$ 66,934</u>	<u>\$ (737,517)</u>

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	6.00%
Prior Measurement date	3.16%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.00%
Municipal Bond Rate	
Current measurement date	2.00%
Prior Measurement date	2.75%
Health Care Cost Trend Rate	
Current measurement date	8.50% initial, 3.50% ultimate in 2035
Prior Measurement date	10.50%, initial 3.50%, ultimate in 2030
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.

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 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 10.50% for 2020.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trust	7.00	6.48
International Equities	25.00	7.36
Other investments	9.00	4.02
Total	<u>100.00 %</u>	<u>4.43 %</u>

Discount Rate - A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20- year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.00%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

Change in Benefit Terms - On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care Plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation which are reported by the City at December 31, 2021. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB asset	\$ 72,541	\$ 291,735	\$ 471,928

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

Retiree health care valuations use a health care cost-trend assumption 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 2021 is 8.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is 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% in the most recent valuation.

	<u>1% Decrease</u>	<u>Current Health Care Trend Rate Assumption</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB asset	\$ 298,844	\$ 291,735	\$ 283,779

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Single discount rate:	
Current measurement date	2.96%
Prior measurement date	3.56%
Cost of Living Adjustments	2.20% simple per year

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

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

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

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

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

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

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return **
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation		
Linked Bonds *	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	125.00 %	

Note: assumptions are geometric.

* levered 2.5x

** numbers include inflation

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

Discount Rate - For 2020, the total OPEB liability was calculated using the discount rate of 2.96%. For 2019, the total OPEB liability was calculated using the discount rate of 3.56%. 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 8.00%. 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 2.12% at December 31, 2020 and 2.75% at December 31, 2019, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 2.96% for 2020 and 3.56% for 2019. 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.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 2.96%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.96%), or one percentage point higher (3.96%) than the current rate.

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 1,508,322	\$ 1,209,616	\$ 963,218

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

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

	Net Change in Fund Balance General Fund
Budget basis	\$ 708,947
Net adjustment for revenue accruals	94,399
Net adjustment for expenditure accruals	146,147
Net adjustment for other sources/uses	77,364
Funds budgeted elsewhere	(7,820)
Adjustment for encumbrances	474,190
GAAP basis	\$ 1,493,227

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the health insurance fund, the loop road project fund, the community development fund, the charter government fund, the underground storage tank fund and the job creation grant program fund.

NOTE 17 - FUND BALANCE

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

Fund balance	General	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepayments	\$ 120,427	\$ 16,123	\$ 136,550
Long-term loans	17,450	-	17,450
Permanent fund	-	119,750	119,750
Materials and supplies inventory	-	76,323	76,323
Total nonspendable	<u>137,877</u>	<u>212,196</u>	<u>350,073</u>
Restricted:			
Capital projects	-	50	50
General government	-	3,492	3,492
Security of persons and property	-	178,012	178,012
Transportation projects	-	569,472	569,472
Revolving loans	-	3,055,779	3,055,779
Public health and welfare	-	125,858	125,858
Community environment	-	510,856	510,856
Other purposes	-	535,129	535,129
Total restricted	<u>-</u>	<u>4,978,648</u>	<u>4,978,648</u>
Committed:			
General government	-	46,955	46,955
Underground storage tank	11,000	-	11,000
Community environment	-	10,322	10,322
Fostoria community trust	-	2,723	2,723
Capital projects	-	634,783	634,783
Total committed	<u>11,000</u>	<u>694,783</u>	<u>705,783</u>
Assigned:			
General government	132,575	-	132,575
Community environment	362	-	362
Security of persons and property	305,564	-	305,564
Other purposes	163,570	-	163,570
Total assigned	<u>602,071</u>	<u>-</u>	<u>602,071</u>
Unassigned (deficit)	<u>5,969,365</u>	<u>(172,747)</u>	<u>5,796,618</u>
Total fund balances	<u>\$ 6,720,313</u>	<u>\$ 5,712,880</u>	<u>\$ 12,433,193</u>

CITY OF FOSTORIA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 18 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 454,555
Other governmental funds	<u>683,366</u>
Total	<u>\$ 1,137,921</u>

NOTE 19 - CONTINGENCIES

Litigation

The City is currently involved in litigation that's outcome is indeterminable.

NOTE 20 - CONDUIT DEBT

The City has issued conduit debt on behalf of the Fostoria Community Hospital for the purpose of acquiring property and equipment and for capital improvements. Fostoria Community Hospital will repay the debt through lease payments of the property financed. Upon repayment of the debt, the ownership of the acquired property transfers to the Fostoria Community Hospital. The aggregate amount on the debt outstanding as of December 31, 2021, is \$1,002,595. The City is not obligated in any manner for repayment of the debt. Accordingly, the debt is not reported as a liability in the accompanying financial statements.

NOTE 21 - FISCAL EMERGENCY

On May 26, 2016, the Auditor of State declared the City in fiscal emergency as of December 31, 2015 and February 29, 2016, due to the existence of numerous negative fund balances. The declaration resulted in financial planning and supervision commission assuming certain management responsibilities for the duration of this emergency. This contributed to the City's financial condition including reductions in State revenues, phase-out of the tangible personal property tax, increasing health care costs and building maintenance costs and a significant decline in growth on the local level. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 22 - TAX ABATEMENTS

Seneca County entered into multiple property tax abatement agreements with property owners under The Ohio Community Reinvestment Area (CRA) program. Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill.

<u>Tax Abatement Program</u>	<u>City Taxes Abated</u>
Community Reinvestment Area	<u>\$ 12,504</u>

CITY OF FOSTORIA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 23 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency continues. During 2021, the City received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. The impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

The City's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

NOTE 24 - ASSET RETIREMENT OBLIGATIONS

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewage treatment system to the Ohio Environmental Protection Agency (Ohio EPA) for approval. Through this permitting process, the City would be responsible for addressing any public safety issues associated with their sewage treatment facilities and the permit would specify the procedures required to dispose of all or part of the sewage treatment plant. Due to the lack of specific legal requirements for retiring the sewage treatment plant, the City has determined that the asset retirement obligation cannot be reasonably estimated.

NOTE 25 - SUBSEQUENT EVENTS

On February 28th, 2022, Heidi Kauffman became Director of Finance at the City of Fostoria.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FOSTORIA, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.016608%	0.017114%	0.018206%	0.018714%
City's proportionate share of the net pension liability	\$ 2,459,282	\$ 3,382,698	\$ 4,986,255	\$ 2,935,864
City's covered payroll	\$ 2,260,257	\$ 2,423,893	\$ 2,439,236	\$ 2,485,392
City's proportionate share of the net pension liability as a percentage of its covered payroll	108.81%	139.56%	204.42%	118.12%
Plan fiduciary net position as a percentage of the total pension liability	86.88%	82.17%	74.70%	84.66%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.018964%	0.015991%	0.009718%	0.010153%
City's proportionate share of the net pension asset	\$ 54,742	\$ 33,345	\$ 10,866	\$ 13,822
City's covered payroll	\$ 83,579	\$ 71,186	\$ 41,564	\$ 41,585
City's proportionate share of the net pension asset as a percentage of its covered payroll	65.50%	46.84%	26.14%	33.24%
Plan fiduciary net position as a percentage of the total pension asset	157.67%	145.28%	126.64%	137.28%
<i>Member Directed Plan:</i>				
City's proportion of the net pension asset	0.008938%	0.007958%	0.007316%	0.007880%
City's proportionate share of the net pension asset	\$ 1,629	\$ 301	\$ 167	\$ 275
City's covered payroll	\$ 53,680	\$ 47,310	\$ 41,820	\$ 43,190
City's proportionate share of the net pension asset as a percentage of its covered payroll	3.03%	0.64%	0.40%	0.64%
Plan fiduciary net position as a percentage of the total pension asset	188.21%	118.84%	113.42%	124.46%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	0.021000%	0.021606%	0.021993%	0.021993%
\$	4,768,743	\$ 3,742,432	\$ 2,652,603	\$ 2,592,688
\$	2,719,167	\$ 2,709,875	\$ 2,662,292	\$ 2,713,392
	175.38%	138.10%	99.64%	95.55%
	77.25%	81.08%	86.45%	86.36%
	0.011809%	0.013130%	0.013073%	0.013073%
\$	6,573	\$ 6,389	\$ 5,033	\$ 1,372
\$	45,967	\$ 47,792	\$ 47,783	\$ 45,031
	14.30%	13.37%	10.53%	3.05%
	116.55%	116.90%	114.83%	104.56%
	0.008494%	0.008876%	n/a	n/a
\$	35	\$ 34	n/a	n/a
\$	44,092	\$ 49,433	n/a	n/a
	0.08%	0.07%	n/a	n/a
	103.40%	103.91%	n/a	n/a

CITY OF FOSTORIA, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net pension liability	0.11416680%	0.11998620%	0.12244400%	0.11590800%
City's proportionate share of the net pension liability	\$ 7,782,853	\$ 8,082,911	\$ 9,994,666	\$ 7,113,852
City's covered payroll	\$ 2,700,516	\$ 2,820,621	\$ 2,809,355	\$ 2,566,630
City's proportionate share of the net pension liability as a percentage of its covered payroll	288.20%	286.56%	355.76%	277.17%
Plan fiduciary net position as a percentage of the total pension liability	70.65%	69.89%	63.07%	70.91%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.12891600%	0.15448900%	0.12821760%	0.12821760%
\$ 8,165,436	\$ 9,938,416	\$ 6,642,206	\$ 6,244,599
\$ 2,825,082	\$ 2,932,069	\$ 2,800,490	\$ 3,286,344
289.03%	338.96%	237.18%	190.02%
68.36%	66.77%	72.20%	73.00%

CITY OF FOSTORIA, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 320,096	\$ 316,436	\$ 339,345	\$ 341,493
Contributions in relation to the contractually required contribution	<u>(320,096)</u>	<u>(316,436)</u>	<u>(339,345)</u>	<u>(341,493)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,286,400	\$ 2,260,257	\$ 2,423,893	\$ 2,439,236
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 9,772	\$ 11,701	\$ 9,966	\$ 5,819
Contributions in relation to the contractually required contribution	<u>(9,772)</u>	<u>(11,701)</u>	<u>(9,966)</u>	<u>(5,819)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 69,800	\$ 83,579	\$ 71,186	\$ 41,564
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 15,065	\$ 5,368	\$ 4,731	\$ 4,182
Contributions in relation to the contractually required contribution	<u>(15,065)</u>	<u>(5,368)</u>	<u>(4,731)</u>	<u>(4,182)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 150,650	\$ 53,680	\$ 47,310	\$ 41,820
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	10.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 323,101	\$ 326,300	\$ 325,185	\$ 319,475	\$ 352,741	\$ 282,596
<u>(323,101)</u>	<u>(326,300)</u>	<u>(325,185)</u>	<u>(319,475)</u>	<u>(352,741)</u>	<u>(282,596)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,485,392	\$ 2,719,167	\$ 2,709,875	\$ 2,662,292	\$ 2,713,392	\$ 2,825,960
13.00%	12.00%	12.00%	12.00%	13.00%	10.00%
\$ 5,406	\$ 5,516	\$ 5,735	\$ 5,734	\$ 5,854	\$ 3,170
<u>(5,406)</u>	<u>(5,516)</u>	<u>(5,735)</u>	<u>(5,734)</u>	<u>(5,854)</u>	<u>(3,170)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 41,585	\$ 45,967	\$ 47,792	\$ 47,783	\$ 45,031	\$ 39,874
13.00%	12.00%	12.00%	12.00%	13.00%	7.95%
\$ 4,319	\$ 5,291	\$ 5,932			
<u>(4,319)</u>	<u>(5,291)</u>	<u>(5,932)</u>			
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
\$ 43,190	\$ 44,092	\$ 49,433			
10.00%	12.00%	12.00%			

CITY OF FOSTORIA, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Police:</i>				
Contractually required contribution	\$ 299,082	\$ 279,930	\$ 290,983	\$ 297,977
Contributions in relation to the contractually required contribution	<u>(299,082)</u>	<u>(279,930)</u>	<u>(290,983)</u>	<u>(297,977)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,574,116	\$ 1,473,316	\$ 1,531,489	\$ 1,568,300
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
<i>Fire:</i>				
Contractually required contribution	\$ 328,547	\$ 288,392	\$ 302,946	\$ 291,648
Contributions in relation to the contractually required contribution	<u>(328,547)</u>	<u>(288,392)</u>	<u>(302,946)</u>	<u>(291,648)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,398,072	\$ 1,227,200	\$ 1,289,132	\$ 1,241,055
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 285,971	\$ 314,857	\$ 297,165	\$ 298,938	\$ 286,168	\$ 187,720
<u>(285,971)</u>	<u>(314,857)</u>	<u>(297,165)</u>	<u>(298,938)</u>	<u>(286,168)</u>	<u>(187,720)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,505,111	\$ 1,657,142	\$ 1,564,026	\$ 1,573,358	\$ 1,801,687	\$ 1,472,314
19.00%	19.00%	19.00%	19.00%	15.88%	12.75%
\$ 249,457	\$ 274,466	\$ 321,490	\$ 288,376	\$ 302,496	\$ 193,351
<u>(249,457)</u>	<u>(274,466)</u>	<u>(321,490)</u>	<u>(288,376)</u>	<u>(302,496)</u>	<u>(193,351)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,061,519	\$ 1,167,940	\$ 1,368,043	\$ 1,227,132	\$ 1,484,036	\$ 1,120,875
23.50%	23.50%	23.50%	23.50%	20.38%	17.25%

CITY OF FOSTORIA, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability/asset	0.016375%	0.016723%	0.017528%	0.018060%	0.020224%
City's proportionate share of the net OPEB liability/(asset)	\$ (291,735)	\$ 2,309,881	\$ 2,285,237	\$ 1,961,183	\$ 2,042,673
City's covered payroll	\$ 2,397,516	\$ 2,542,389	\$ 2,522,620	\$ 2,570,167	\$ 2,809,226
City's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	12.17%	90.85%	90.59%	76.31%	72.71%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	115.57%	47.80%	46.33%	54.14%	54.05%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FOSTORIA, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.11416680%	0.11998620%	0.12244400%	0.11590800%	0.12891600%
City's proportionate share of the net OPEB liability	\$ 1,209,616	\$ 1,185,191	\$ 1,115,040	\$ 6,567,236	\$ 6,119,353
City's covered payroll	\$ 2,700,516	\$ 2,820,621	\$ 2,809,355	\$ 2,566,630	\$ 2,825,082
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	44.79%	42.02%	39.69%	255.87%	216.61%
Plan fiduciary net position as a percentage of the total OPEB liability	45.42%	47.08%	46.57%	14.13%	15.96%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FOSTORIA, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 6,026	\$ 2,147	\$ 1,891	\$ 1,673
Contributions in relation to the contractually required contribution	<u>(6,026)</u>	<u>(2,147)</u>	<u>(1,891)</u>	<u>(1,673)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,506,850	\$ 2,397,516	\$ 2,542,389	\$ 2,522,620
Contributions as a percentage of covered payroll	0.24%	0.09%	0.07%	0.07%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 26,998	\$ 56,184	\$ 53,153	\$ 54,012	\$ 127,584	\$ 115,450
<u>(26,998)</u>	<u>(56,184)</u>	<u>(53,153)</u>	<u>(54,012)</u>	<u>(127,584)</u>	<u>(115,450)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,570,167	\$ 2,809,226	\$ 2,807,100	\$ 2,710,075	\$ 2,758,423	\$ 2,865,834
1.05%	2.00%	1.89%	1.99%	4.63%	4.03%

CITY OF FOSTORIA, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Police:</i>				
Contractually required contribution	\$ 7,871	\$ 7,367	\$ 7,657	\$ 7,841
Contributions in relation to the contractually required contribution	<u>(7,871)</u>	<u>(7,367)</u>	<u>(7,657)</u>	<u>(7,841)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,574,116	\$ 1,473,316	\$ 1,531,489	\$ 1,568,300
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%
<i>Fire:</i>				
Contractually required contribution	\$ 6,990	\$ 6,412	\$ 6,446	\$ 6,205
Contributions in relation to the contractually required contribution	<u>(6,990)</u>	<u>(6,412)</u>	<u>(6,446)</u>	<u>(6,205)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,398,072	\$ 1,227,200	\$ 1,289,132	\$ 1,241,055
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 7,526	\$ 8,286	\$ 8,031	\$ 8,432	\$ 64,074	\$ 99,381
<u>(7,526)</u>	<u>(8,286)</u>	<u>(8,031)</u>	<u>(8,432)</u>	<u>(64,074)</u>	<u>(99,381)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,505,111	\$ 1,657,142	\$ 1,564,026	\$ 1,573,358	\$ 1,801,687	\$ 1,472,314
0.50%	0.50%	0.50%	3.62%	6.75%	6.75%
\$ 5,308	\$ 5,840	\$ 6,840	\$ 6,425	\$ 53,122	\$ 75,659
<u>(5,308)</u>	<u>(5,840)</u>	<u>(6,840)</u>	<u>(6,425)</u>	<u>(53,122)</u>	<u>(75,659)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,061,519	\$ 1,167,940	\$ 1,368,043	\$ 1,227,132	\$ 1,484,036	\$ 1,120,875
0.50%	0.50%	0.50%	3.62%	6.75%	6.75%

CITY OF FOSTORIA, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2014-2021.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016.
- For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.
- There were no changes in assumptions for 2018.
- For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%.
- There were no changes in assumptions for 2020.
- There were no changes in assumptions for 2021.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2014-2021.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017.
- For 2018, the following were the most significant changes of assumptions that affected the total pension since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.50% down to 8.00%, (b) changing the future salary increases from a range of 4.25%-11.00% to 3.75%-10.50%, (c) reduction in payroll increases from 3.75% down to 3.25%, (d) reduction in inflation assumptions from 3.25% down to 2.75% and (e) Cost of Living Adjustments (COLA) were reduced from 2.60% and 3.00% simple to 2.20% and 3.00% simple.
- There were no changes in assumptions for 2019.
- There were no changes in assumptions for 2020.
- There were no changes in assumptions for 2021.

(Continued)

CITY OF FOSTORIA, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2021

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms :

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

Changes in assumptions :

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

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms :

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

Changes in assumptions :

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

CITY OF FOSTORIA
SENECA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal Assistance Listing Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<i>Passed through Ohio Development Services Agency</i>				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	N/A	\$ -	\$ 136,781
Home Investment Partnerships Program	14.239	N/A	-	145,239
TOTAL UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			-	282,020
<u>UNITED STATES DEPARTMENT OF TREASURY</u>				
<i>Passed through Ohio Office of Budget and Management</i>				
Coronavirus Relief Fund	21.019	N/A	120,000	692,666
<i>Passed through Seneca County, Ohio</i>				
Coronavirus Relief Fund	21.019	N/A	-	61,515
TOTAL UNITED STATES DEPARTMENT OF TREASURY			120,000	754,181
TOTAL FEDERAL AWARDS EXPENDITURES			\$ 120,000	\$ 1,036,201

The accompanying notes are an integral part of this schedule

**CITY OF FOSTORIA
SENECA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Fostoria (the City's) under programs of the federal government for the year ended December 31, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - SUBRECIPIENTS

The City passes certain federal awards received from Ohio Budget and Management to other governments or not-for-profit agencies (subrecipients). As Note B describes, the City reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the City has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE E - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



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

City of Fostoria
Seneca County
213 South Main Street
Fostoria, Ohio 44830

Members of the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fostoria, Seneca County, (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 31, 2022, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio
September 29, 2022



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

City of Fostoria
Seneca County
213 South Main Street
Fostoria, Ohio 44830

Members of the City Council:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the City of Fostoria's (the City) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the City of Fostoria's major federal program for the year ended December 31, 2021. City of Fostoria's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, the City of Fostoria complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The City's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Piketon, Ohio
September 29, 2022

**CITY OF FOSTORIA, OHIO
SENECA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2021**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Coronavirus Relief Fund ALN 21.019
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**CITY OF FOSTORIA, OHIO
SENECA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2021**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2020-001	Noncompliance – Ohio Rev. Code Section 5705.41(D)(1)	No	Partially corrected; Reissued as a Management Letter comment
2020-002	Significant Deficiency – Internal Controls Related to Financial Reporting	Yes	

OHIO AUDITOR OF STATE KEITH FABER



CITY OF FOSTORIA

SENECA 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 11/10/2022

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