





**CITY OF FREMONT  
SANDUSKY COUNTY  
DECEMBER 31 2021**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

City of Fremont  
Sandusky County  
323 South Front Street  
Fremont, Ohio 43420-3037

To the 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 Fremont, Sandusky 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 Fremont, Sandusky 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 Opinion***

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 continuing emergency measures may 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 opinion. 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 is not a required part of the 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, this schedule 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 August 26, 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

August 26, 2022

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**CITY OF FREMONT  
SANDUSKY COUNTY**

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

The management's discussion and analysis of the City of Fremont'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 \$8,608,784 or 8.94% from 2020. Net position of governmental activities increased \$4,638,193 or 22.44% from 2020 and net position of business-type activities increased \$3,970,591 or 5.25% from 2020.
- General revenues accounted for \$13,948,206 or 80.41% of total governmental activities revenue. Program specific revenues accounted for \$3,398,819 or 19.59% of total governmental activities revenue.
- The City had \$12,708,832 in expenses related to governmental activities; \$3,398,819 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily income taxes, property taxes and unrestricted grants and entitlements) of \$13,948,206 were adequate to support the remaining expenses.
- The General fund had revenues of \$14,496,161 in 2021. This represents an increase of \$1,314,946 or 9.98% from 2020. The expenditures and other financing uses of the General fund, which totaled \$12,682,293 in 2021, increased \$1,599,155 or 14.43% from 2020. The net increase in fund balance for the General fund was \$1,813,868 or 22.82%.
- The Capital Improvement fund had \$654,108 in revenues and other financing sources and \$3,452,225 in expenditures in 2021. In 2021, the City had transfers in from the General fund totaling \$75,000. The Capital Improvement's fund balance decreased \$2,798,117 or 58.73% during 2021.
- Net position for the business-type activities, which are made up of the water and sewer enterprise funds, increased in 2021 by \$3,970,591. This increase in net position was primarily due to (1) an increase in charges for services revenue and (2) a decrease in personal services expenditures due to changes in the net OPEB liability/asset.
- In the General fund, actual revenues and other financing sources were \$63,658 more than the final budget revenues and other financing sources, and actual expenditures and other financing uses were \$1,253,784 less than the final budget expenditures and other financing uses. Budgeted expenditures and other financing uses increased \$689,445 from the original budget to the final budget, primarily due to an increase in budgeted security of persons and property expenditures.

**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 FREMONT  
SANDUSKY COUNTY**

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

**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, deferred outflows, liabilities, deferred inflows, 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 that 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, parks and recreation 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 focus 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.

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.

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

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 non-major funds. The City's major governmental funds are the General fund and the Capital Improvement 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 two different types of 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 management functions. 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.

***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. Custodial 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 liability/net pension asset and net OPEB liability/net OPEB asset.

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

**Government-Wide Financial Analysis**

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b><u>Assets</u></b>						
Current assets	\$ 20,722,162	\$ 19,770,263	\$ 28,500,599	\$ 27,295,631	\$ 49,222,761	\$ 47,065,894
Capital assets, net	<u>27,528,945</u>	<u>25,068,671</u>	<u>140,389,855</u>	<u>143,887,215</u>	<u>167,918,800</u>	<u>168,955,886</u>
Total assets	<u>48,251,107</u>	<u>44,838,934</u>	<u>168,890,454</u>	<u>171,182,846</u>	<u>217,141,561</u>	<u>216,021,780</u>
<b><u>Deferred outflows of resources</u></b>						
Pension	2,037,785	2,106,649	499,462	729,319	2,537,247	2,835,968
OPEB	<u>1,154,866</u>	<u>1,377,514</u>	<u>185,276</u>	<u>478,135</u>	<u>1,340,142</u>	<u>1,855,649</u>
Total deferred outflows of resources	<u>3,192,651</u>	<u>3,484,163</u>	<u>684,738</u>	<u>1,207,454</u>	<u>3,877,389</u>	<u>4,691,617</u>
<b><u>Liabilities</u></b>						
Current liabilities	1,859,547	627,958	504,269	366,785	2,363,816	994,743
Long-term liabilities:						
Due within one year	1,568,781	1,675,394	3,298,203	3,172,668	4,866,984	4,848,062
Net pension liability	13,255,126	14,074,146	3,292,564	4,550,575	16,547,690	18,624,721
Net OPEB liability	1,601,243	4,054,195	-	2,986,607	1,601,243	7,040,802
Other amounts	<u>2,863,169</u>	<u>3,150,517</u>	<u>80,106,498</u>	<u>84,140,709</u>	<u>82,969,667</u>	<u>87,291,226</u>
Total liabilities	<u>21,147,866</u>	<u>23,582,210</u>	<u>87,201,534</u>	<u>95,217,344</u>	<u>108,349,400</u>	<u>118,799,554</u>
<b><u>Deferred inflows of resources</u></b>						
Property taxes	881,704	788,036	-	-	881,704	788,036
Pension	2,415,078	2,237,979	1,586,597	1,093,558	4,001,675	3,331,537
OPEB	<u>1,694,279</u>	<u>1,048,234</u>	<u>1,224,450</u>	<u>487,378</u>	<u>2,918,729</u>	<u>1,535,612</u>
Total deferred inflows of resources	<u>4,991,061</u>	<u>4,074,249</u>	<u>2,811,047</u>	<u>1,580,936</u>	<u>7,802,108</u>	<u>5,655,185</u>
<b><u>Net Position</u></b>						
Net investment in capital assets	23,786,528	21,383,080	57,348,548	56,980,278	81,135,076	78,363,358
Restricted	3,207,976	2,575,338	-	-	3,207,976	2,575,338
Unrestricted (deficit)	<u>(1,689,673)</u>	<u>(3,291,780)</u>	<u>22,214,063</u>	<u>18,611,742</u>	<u>20,524,390</u>	<u>15,319,962</u>
Total net position	<u>\$ 25,304,831</u>	<u>\$ 20,666,638</u>	<u>\$ 79,562,611</u>	<u>\$ 75,592,020</u>	<u>\$ 104,867,442</u>	<u>\$ 96,258,658</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, the net pension asset, and the net OPEB asset related to pension and OPEB.

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

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

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

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

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

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

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

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability/asset and net OPEB liability/asset, 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 exceeded liabilities and deferred inflows by \$104,867,442. At year-end, net positions were \$25,304,831 and \$79,562,611 for the governmental activities and the business-type activities, respectively.

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 77.33% of total assets. Capital assets include land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress. The net investments in capital assets at December 31, 2021, were \$23,786,528 and \$57,348,548 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$3,207,976 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position is a deficit of \$1,689,673. The business-type activities reported a positive unrestricted balance of \$22,214,063.

Assets of the governmental activities increased \$3,412,173 or 7.61% from 2020. Current assets of the governmental activities increased \$951,899 or 4.81% primarily in income tax receivable as the economy improved coupled with an increase in equity in pooled cash and investments due to current year operations. Capital assets increased \$2,460,274 or 9.81% as current year additions exceeded depreciation expense of \$1,949,996.

Liabilities of the governmental activities decreased \$2,434,344 or 10.32% from 2020. Current liabilities of the governmental activities increased \$1,231,589 due to an increase in unearned revenue related to the American Rescue Plan Act (ARPA) grant money received by the City. The City will report the revenue as expenses are incurred. Long-term obligations of the governmental activities decreased \$3,665,933 or 15.97% due to a decrease in the City's net OPEB liability and the City paying down its debt obligations.

Assets of the business-type activities decreased \$2,292,392 or 1.34% from 2020. Current assets of the business-type activities increased \$1,204,968 or 4.41% primarily in cash and investments due to current year operations. The capital assets of the business-type activities decreased \$3,497,360 or 2.43%. This decrease was due depreciation expense of \$4,925,922 exceeding capital asset additions of \$1,481,577.

Liabilities of the business-type activities decreased \$8,015,810 or 8.42% from 2020. Current liabilities of the business-type activities increased \$137,484 due to an increase in accrued wages and benefits payable for wages earned, but not yet paid as of year-end. Long-term obligations of the business-type activities decreased \$8,153,294 or 8.60% as the City paid principal payments on debt obligations (total approximately \$3.8 million) and saw a decrease in the net OPEB liability (total approximately \$3.0 million).

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

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

	<b>Change in Net Position</b>					
	Governmental Activities 2021	Governmental Activities 2020	Business-type Activities 2021	Business-type Activities 2020	2021 Total	2020 Total
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 1,228,309	\$ 1,076,959	\$ 17,132,892	\$ 16,307,054	\$ 18,361,201	\$ 17,384,013
Operating grants and contributions	1,416,645	2,647,495	-	-	1,416,645	2,647,495
Capital grants and contributions	<u>753,865</u>	<u>2,266,841</u>	<u>-</u>	<u>459,058</u>	<u>753,865</u>	<u>2,725,899</u>
Total program revenues	<u>3,398,819</u>	<u>5,991,295</u>	<u>17,132,892</u>	<u>16,766,112</u>	<u>20,531,711</u>	<u>22,757,407</u>
General revenues:						
Property taxes	922,567	983,020	-	-	922,567	983,020
Income taxes	11,943,948	9,474,626	-	-	11,943,948	9,474,626
Hotel/motel taxes	59,228	43,367	-	-	59,228	43,367
Unrestricted grants and entitlements	721,619	601,045	-	-	721,619	601,045
Investment earnings and valuation	(184,742)	958,904	4,424	3,835	(180,318)	962,739
Miscellaneous	<u>485,586</u>	<u>374,220</u>	<u>23,634</u>	<u>519,022</u>	<u>509,220</u>	<u>893,242</u>
Total general revenues	<u>13,948,206</u>	<u>12,435,182</u>	<u>28,058</u>	<u>522,857</u>	<u>13,976,264</u>	<u>12,958,039</u>
Total revenues	<u>17,347,025</u>	<u>18,426,477</u>	<u>17,160,950</u>	<u>17,288,969</u>	<u>34,507,975</u>	<u>35,715,446</u>
<b>Expenses</b>						
General government	2,319,708	4,131,861	-	-	2,319,708	4,131,861
Security of persons and property	7,195,171	6,564,809	-	-	7,195,171	6,564,809
Public health and welfare	5,638	4,746	-	-	5,638	4,746
Transportation	1,514,178	2,098,798	-	-	1,514,178	2,098,798
Community environment	141,801	239,265	-	-	141,801	239,265
Leisure time activity	1,310,856	2,112,943	-	-	1,310,856	2,112,943
Economic development	117,969	291,079	-	-	117,969	291,079
Interest and fiscal charges	103,511	125,704	-	-	103,511	125,704
Water	-	-	5,544,371	6,994,242	5,544,371	6,994,242
Sewer	<u>-</u>	<u>-</u>	<u>7,645,988</u>	<u>10,171,263</u>	<u>7,645,988</u>	<u>10,171,263</u>
Total expenses	<u>12,708,832</u>	<u>15,569,205</u>	<u>13,190,359</u>	<u>17,165,505</u>	<u>25,899,191</u>	<u>32,734,710</u>
Increase in net position before transfers	4,638,193	2,857,272	3,970,591	123,464	8,608,784	2,980,736
Transfers	<u>-</u>	<u>9,282</u>	<u>-</u>	<u>(9,282)</u>	<u>-</u>	<u>-</u>
Change in net position	4,638,193	2,866,554	3,970,591	114,182	8,608,784	2,980,736
<b>Net position at beginning of year</b>	<u>20,666,638</u>	<u>17,800,084</u>	<u>75,592,020</u>	<u>75,477,838</u>	<u>96,258,658</u>	<u>93,277,922</u>
<b>Net position at end of year</b>	<u>\$ 25,304,831</u>	<u>\$ 20,666,638</u>	<u>\$ 79,562,611</u>	<u>\$ 75,592,020</u>	<u>\$ 104,867,442</u>	<u>\$ 96,258,658</u>

**CITY OF FREMONT  
SANDUSKY COUNTY**

MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Unaudited)

**Governmental Activities**

Governmental activities net position increased \$4,638,193 in 2021. The increase is primarily due to a decrease in the net OPEB liability.

Expenses of the governmental activities decreased \$2,860,373 or 18.37%. This decrease is primarily the result of the decrease in OPEB expense for the Ohio Public Employees Retirement System (OPERS). On an accrual basis, the City had OPEB expense of (\$1,858,934) in 2021 compared to \$426,891 in 2020. On January 15, 2020, OPERS 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 along with changes in assumptions related to an increase in discount rate from 3.16% to 6.00% significantly decreased the total OPEB liability for the measurement date December 31, 2020.

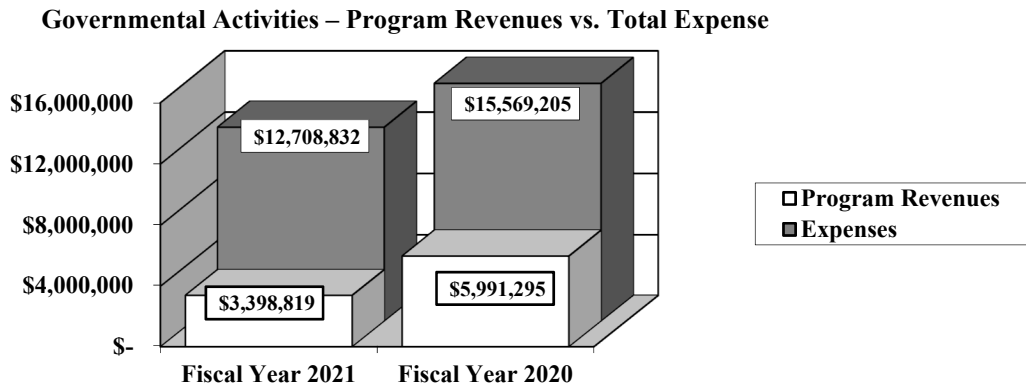
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$7,195,171 of the total expenses of the City. These expenses were partially funded by \$3,621 in direct charges to users of the services.

General government expenses totaled \$2,319,708. General government expenses were partially funded by \$727,557 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$1,416,645 in operating grants and contributions and \$753,865 in capital grants and contributions. These revenues are restricted to a particular program or purpose. The total capital grants and contributions subsidized transportation programs. Of the total operating grants and contributions, \$1,188,011 subsidized transportation programs, \$157,597 subsidized community environment, and \$38,799 subsidized security of persons and property activities. Operating grants decreased \$1,230,850 from the prior year due to the City receiving Coronavirus Relief grant money in 2020.

General revenues totaled \$13,948,206 and amounted to 80.41% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$12,866,515. Another primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue, making up \$721,619. Investment earnings decreased \$1,143,646 from 2020 due to decrease in the fair value of the City’s investments. The City holds investments to maturity to reduce to the risk in fluctuations of investments.

As can be seen in the graph below, program revenues support only a portion of the City’s overall governmental activities expenses. The City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.





**CITY OF FREMONT  
SANDUSKY COUNTY**

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

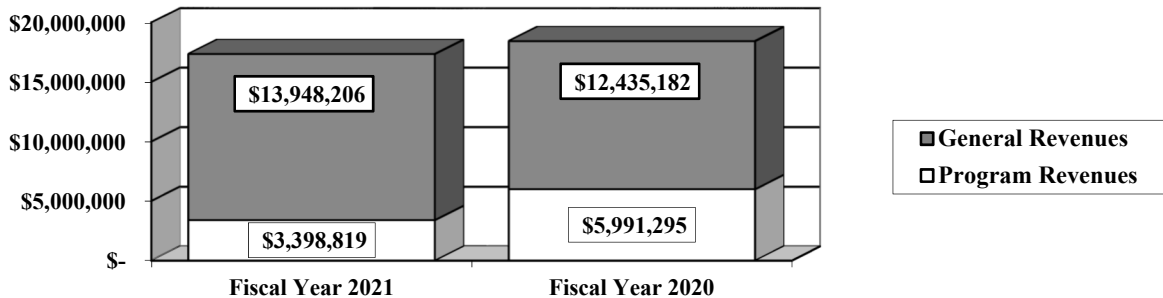
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2021	2021	2020	2020
Program Expenses:				
General government	\$ 2,319,708	\$ 1,592,007	\$ 4,131,861	\$ 2,430,153
Security of persons and property	7,195,171	7,152,751	6,564,809	6,455,804
Public health and welfare	5,638	5,638	4,746	4,746
Transportation	1,514,178	(428,441)	2,098,798	(1,371,283)
Community environment	141,801	(31,997)	239,265	191,401
Leisure time activity	1,310,856	803,406	2,112,943	1,597,109
Economic development	117,969	113,138	291,079	145,754
Interest and fiscal charges	103,511	103,511	125,704	124,226
<b>Total</b>	<b>\$ 12,708,832</b>	<b>\$ 9,310,013</b>	<b>\$ 15,569,205</b>	<b>\$ 9,577,910</b>

The dependence upon general revenues for governmental activities is apparent, with 73.26% of expenses supported through taxes and other general revenues.

The graph below shows a comparison of the City's general revenues compared to program revenues for the governmental activities.

**Governmental Activities – General and Program Revenues**



**Business-type Activities**

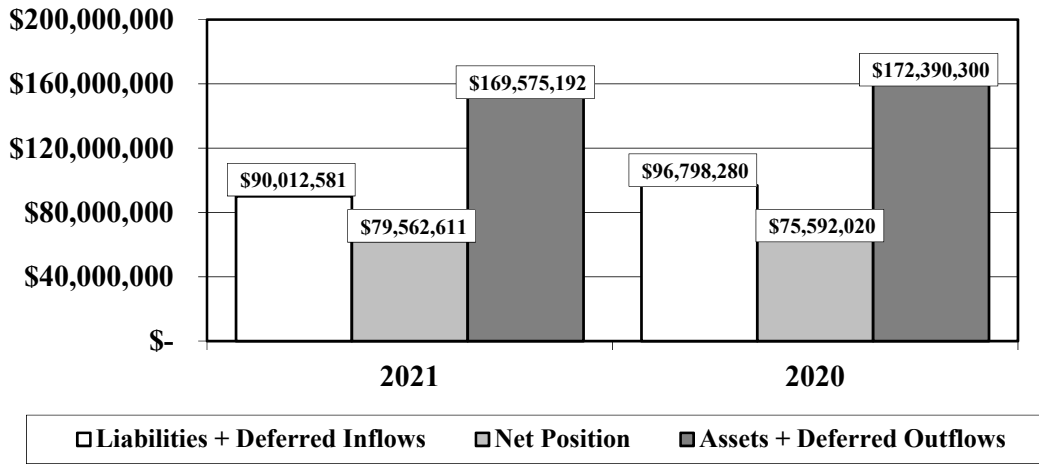
Business-type activities include the water and sewer enterprise funds. These programs had program revenues of \$17,132,892, general revenues of \$28,058 and, expenses of \$13,190,359 for 2021. The increase in program revenues can mainly be attributed to the increased charges for services in the water and sewer funds. The decreases in water and sewer expenses are primarily due to changes in the net OPEB asset described on the previous page.

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

The graph below illustrates the City's business-type assets, liabilities, deferred outflows, deferred inflows, and net position at December 31, 2021 and December 31, 2020.

**Net Position in Business-Type Activities**



**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

The City's governmental funds reported a combined fund balance of \$16,123,568 which is \$851,337 less than last year's total of \$16,974,905. 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.

	Fund Balances 12/31/21	Fund Balances 12/31/20	Change
Major funds:			
General	\$ 9,763,994	\$ 7,950,126	\$ 1,813,868
Capital improvement	1,966,068	4,764,185	(2,798,117)
Other nonmajor governmental funds	4,393,506	4,260,594	132,912
Total	<u>\$ 16,123,568</u>	<u>\$ 16,974,905</u>	<u>\$ (851,337)</u>

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

**General Fund**

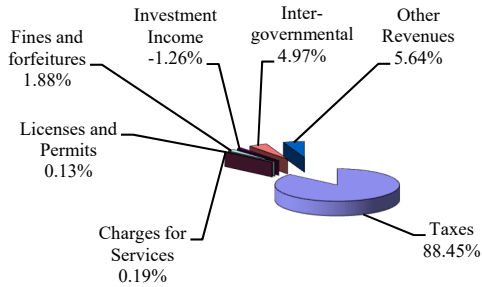
The City's General fund balance increased \$1,813,868. The table below compares 2021 versus 2020 revenues.

	<u>2021</u>	<u>2020</u>	<u>% Change</u>
<b>Revenues</b>			
Taxes	\$ 12,821,688	\$ 10,627,448	20.65 %
Charges for services	27,125	87,430	(68.98) %
Licenses and permits	19,635	29,860	(34.24) %
Fines and forfeitures	272,933	216,922	25.82 %
Intergovernmental	719,971	604,738	19.06 %
Investment income	(182,228)	982,812	(118.54) %
Other	817,037	632,005	29.28 %
<b>Total</b>	<b><u>\$ 14,496,161</u></b>	<b><u>\$ 13,181,215</u></b>	<b>9.98 %</b>

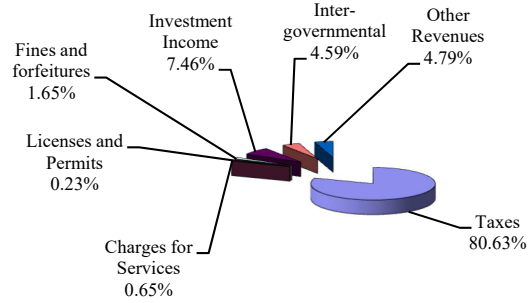
Tax revenue represents 88.45% of all General fund revenue. Income tax revenue increased in 2021 due to the economy beginning to recover. Property taxes decreased in 2021 due to decreased collections. Investment income decreased as interest rates on applicable investments decreased and the fair value of investments decreased from the prior year.

The graphs below show General fund revenue, by source, for 2021 and 2020:

**Revenues – Fiscal Year 2021**



**Revenues – Fiscal Year 2020**



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

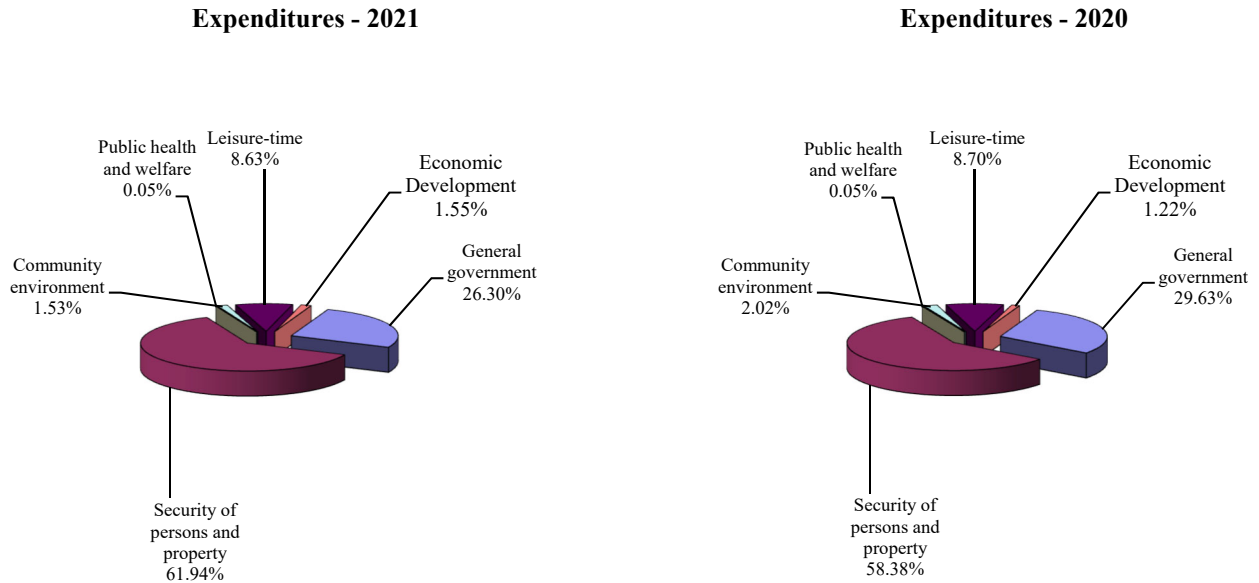
	<u>2021</u>	<u>2020</u>	<u>% Change</u>
<b>Expenditures</b>			
General government	\$ 3,094,296	\$ 2,882,799	7.34 %
Security of persons and property	7,290,521	5,681,076	28.33 %
Public health and welfare	5,638	4,746	18.79 %
Community environment	179,932	196,561	(8.46) %
Leisure time activity	1,015,200	846,195	19.97 %
Economic development	181,934	118,731	53.23 %
<b>Total</b>	<b><u>\$ 11,767,521</u></b>	<b><u>\$ 9,730,108</u></b>	<b>20.94 %</b>

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

The most significant increase in dollars in General fund expenditures was in security of persons and property. This line item increased \$1,609,445 in 2021. This was primarily due to the City using a portion of the Coronavirus Relief grant to pay a portion of police and fire department wages during 2020. General government expenditures increased \$211,497. Leisure-time activities expenditures increased \$169,005 in 2021. This is primarily due to the lifting of COVID-19 restrictions for all of 2021.

The graphs below show General fund expenditures, by function, for 2021 and 2020:



***Capital Improvement Fund***

The Capital Improvement fund had \$654,108 in revenues and other financing sources and \$3,452,225 in expenditures in 2021. In 2021, the City had transfers in from the General fund totaling \$75,000. The Capital Improvement's fund balance decreased \$2,798,117 or 58.73% during 2021.

***Budgeting Highlights***

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

Budgetary information is presented for the General fund. The original and final budgeted revenues and other financing sources were \$10,609,650 each. Individual line changed, as the legal level of budgetary control is at the fund-department level. Actual revenues and other financing sources of \$10,673,308 were more than final budgeted revenues and other financing sources by \$63,658. The significant change for the General fund was between the final budgeted expenditures and other financing uses and actual expenditures and other financing uses. Actual expenditures and other financing uses came in \$1,253,784 lower than the final budgeted amounts, primarily due to expenditures for general government operations and security of persons and property programs being less than budgeted. The final budgeted expenditures and other financing uses were increased \$689,445 from original expenditures and other financing uses of \$11,586,811.

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

***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 between proprietary funds and internal balances due to governmental activities for internal service activities. The only interfund activity reported in the government wide statements are those between business-type activities and governmental activities (reported as internal balances) whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements.

The City's business-type funds reported a combined net position of \$79,562,611, which is \$3,970,591 more than last year's total of \$75,592,020. This increase is primarily due to a decrease in the net OPEB liability.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2021, the City had \$167,918,800 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress (CIP). Of this total, \$27,528,945 was reported in governmental activities and \$140,389,855 was reported in business-type activities. See Note 10 for further description of capital assets.

The following table shows 2021 balances compared to 2020:

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

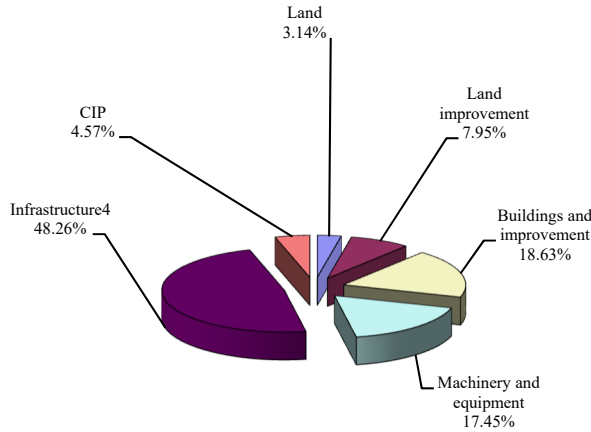
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 864,955	\$ 864,955	\$ 977,180	\$ 977,180	\$ 1,842,135	\$ 1,842,135
Land improvements	2,188,821	1,400,340	39,022,607	40,072,238	41,211,428	41,472,578
Buildings and improvements	5,129,553	5,549,828	69,697,685	71,942,404	74,827,238	77,492,232
Machinery and equipment	4,803,867	4,586,004	9,872,858	10,658,686	14,676,725	15,244,690
Infrastructure	13,282,775	10,719,284	20,781,989	19,705,001	34,064,764	30,424,285
Construction in progress	1,258,974	1,948,260	37,536	531,706	1,296,510	2,479,966
Totals	\$ 27,528,945	\$ 25,068,671	\$ 140,389,855	\$ 143,887,215	\$ 167,918,800	\$ 168,955,886

**CITY OF FREMONT  
SANDUSKY COUNTY**

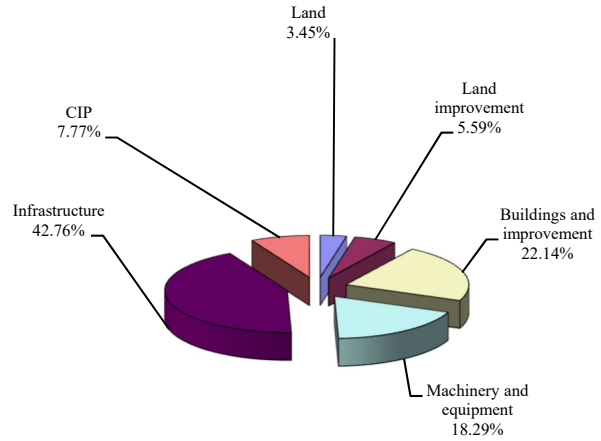
**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Unaudited)**

The following graphs show the breakdown of governmental capital assets by category for 2021 and 2020.

**Capital Assets - Governmental Activities 2021**



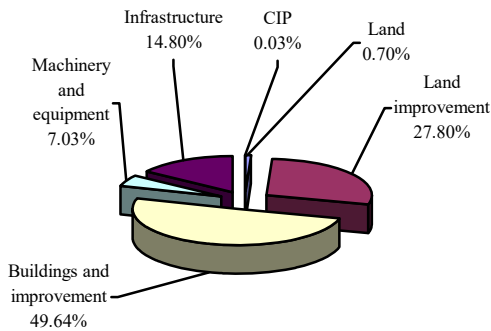
**Capital Assets - Governmental Activities 2020**



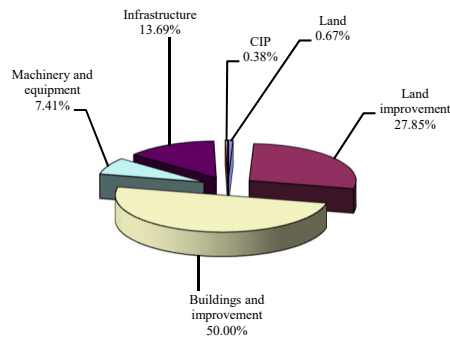
In governmental type activities, the City’s largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City’s infrastructure (cost less accumulated depreciation) represents approximately 48.26% of the City’s total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2021 and 2020.

**Capital Assets - Business-Type Activities 2021**



**Capital Assets - Business-Type Activities 2020**



In business type activities, the largest capital assets category is buildings and improvements, which includes water and sewer plants. The net book value of the City’s buildings and improvements represents approximately 49.64% of the City’s total capital type assets.

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

***Debt Administration***

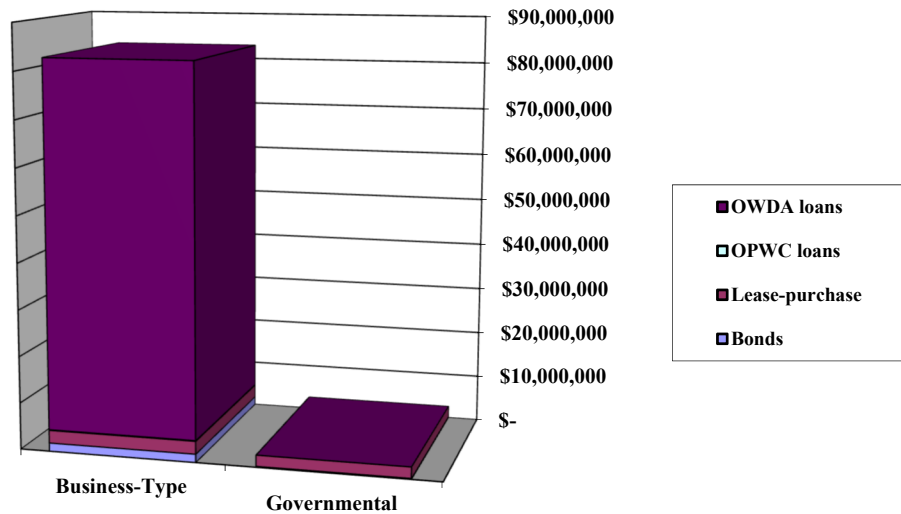
See Note 12 for further discussion of the City's long-term debt obligations. The City had the following long-term debt obligations outstanding at December 31, 2021 and 2020:

	Governmental Activities	
	2021	2020
General obligation bonds	\$ 205,000	\$ 270,000
Bond anticipation notes	1,070,000	1,070,000
Lease-purchase agreement	2,364,072	2,531,140
Total long-term obligations	\$ 3,639,072	\$ 3,871,140

	Business-type Activities	
	2021	2020
General obligation bonds	\$ 1,780,000	\$ 2,415,000
Lease-purchase agreement	2,743,260	2,924,308
OPWC loans	151,915	178,689
OWDA loans	78,267,075	81,255,921
Total long-term obligations	\$ 82,942,250	\$ 86,773,918

A comparison of the long-term obligations by category is depicted in the chart below.

**Long-term obligations**



**CITY OF FREMONT  
SANDUSKY COUNTY**

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

**Economic Conditions and Outlook**

The City of Fremont continues to follow through on the Think Fremont plan. The 10-year economic development plan was launched in 2019 with goals to increase population, address housing shortage and establish a new industrial park. City officials have worked hard since the inception of the plan to accomplish many of the goals. For the first time in decades, the City of Fremont has experienced population growth. According to the U.S. Census Data, Fremont saw a population increase of 13 people from 2019 to 2020. While it is not a big number it is a significant number. It shows growth in Fremont for the first time in decades. The ability of city leaders to create the necessary environment for people to want to call your community home is important to growth. Establishing a business-friendly approach, providing sought-after amenities, and offering different incentives have resulted in positive trends for our community.

Checking in with Fremont's largest employers remains a constant priority. Maintaining good working relationships is done through our Business, Retention, and Expansion (BR&E) Program. The Business Retention and Expansion Program is an economic development strategy of proactively connecting with existing businesses to understand and respond to their needs. In 2021, the city conducted thirty-one BR&E visits with local companies such as Heinz, Crown Battery, Style-Crest, Crescent Manufacturing, Amcor, Quality Steel, Total Distribution, Graham Packaging, and First Choice Packing just to name a few. Three local manufacturers expanding to add 20 new jobs each is more likely than one new manufacturer relocating to Fremont with 60 new jobs. The companies in our community have shown their perseverance by having to navigate through supply chain delays and a limited workforce. We have seen many new approaches to hiring employees with increased salaries, creating hiring incentives such as sign-on bonuses and offering flexible scheduling. Unfortunately, the supply chain delay and workforce issues have caused some hesitation of companies to capital improvement projects and/or adding workforce. While still committed to their capital improvement goals, many local manufacturers are taking a more methodical approach as issues arising from the pandemic slowly get better.

We continue to assist small business owners. Whether it is assisting a new start-up business or working with some small business looking to expand, we find ourselves doing what we can. For many small businesses, the creation of the Designation Outdoor Refreshment Area (DORA) has been helpful. While the DORA was initially a little slow to get started, we have seen a steady increase of citizens utilizing DORA through the summer and fall. Fortunately, for the City of Fremont, we have had little to no issues with the public enjoying DORA. Dunkin Donuts opened its doors in early fall with more business applying various storefronts throughout our city.

The City of Fremont has been working with the Sandusky County Land Bank on demolition of blighted properties houses. The State of Ohio recently award each county \$500,000.00, through the newly created Building Demolition and Site Revitalization Program. The program provides the necessary resources to our community to clean up dilapidated properties that are often eyesores, cause issues in a neighborhood and take value away from other nearby properties. Through the use of the Vacant & Abandon Building program, nuisance ordinance, and agreements with property owners, residents of Fremont should see several blighted properties be demolished later this year. Removing much-needed eyesores from neighborhoods helps those living in that neighborhood and keeps our city looking good.

In addition to the demolition of blighted homes, Fremont continues to see a significant increase in new home construction. Last year 51 new homes were started, with most being completed before the end of the year. We are hoping to reach or even surpass that number of 51 in the coming year. Development continues at Sunset Meadows, Meadow Creek, and Blue Heron subdivisions. The city continues to pursue the development of a multi-story apartment complex. We have had good conversations with various developers and hope these discussions prove to be productive. The need for housing in Fremont has a lot of developers and builders talking. Hopefully, we'll see more housing developments to be announced soon.

**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: Mr. Paul Grahl, City Auditor, City of Fremont, 323 South Front Street, Fremont, Ohio 43420-3037.



**CITY OF FREMONT  
SANDUSKY COUNTY**

STATEMENT OF NET POSITION  
DECEMBER 31, 2021

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and investments	\$ 14,586,288	\$ 21,196,106	\$ 35,782,394
Receivables (net of allowances for uncollectibles):			
Income taxes	3,144,825	-	3,144,825
Property and other local taxes	937,429	-	937,429
Accounts	144,928	2,358,686	2,503,614
Loans	258,392	-	258,392
Accrued interest	69,629	-	69,629
Due from other governments	938,628	3,962,511	4,901,139
Materials and supplies inventory	219,136	460,036	679,172
Prepayments	67,259	31,870	99,129
Internal balance	(1,292)	1,292	-
Net pension asset (Note 15)	21,687	24,184	45,871
Net OPEB asset (Note 16)	335,253	373,869	709,122
Restricted assets:			
Equity in pooled cash and investments	-	92,045	92,045
Capital assets:			
Nondepreciable capital assets	2,123,929	1,014,716	3,138,645
Depreciable capital assets, net	25,405,016	139,375,139	164,780,155
Total capital assets, net	<u>27,528,945</u>	<u>140,389,855</u>	<u>167,918,800</u>
Total assets	<u>48,251,107</u>	<u>168,890,454</u>	<u>217,141,561</u>
<b>Deferred outflows of resources:</b>			
Pension (Note 15)	2,037,785	499,462	2,537,247
OPEB (Note 16)	1,154,866	185,276	1,340,142
Total deferred outflows of resources	<u>3,192,651</u>	<u>684,738</u>	<u>3,877,389</u>
<b>Liabilities:</b>			
Accounts payable	81,419	163,115	244,534
Contracts payable	308,345	-	308,345
Accrued wages and benefits	302,560	132,675	435,235
Pension and postemployment benefits payable	153,120	53,098	206,218
Due to claimants	111,030	-	111,030
Accrued interest payable	40,892	63,336	104,228
Deposits held and due to others	28,520	-	28,520
Unearned revenue	833,661	-	833,661
Payable from restricted assets:			
Refundable deposits	-	92,045	92,045
Long-term liabilities:			
Due within one year	1,568,781	3,298,203	4,866,984
Due in more than one year:			
Net pension liability (Note 15)	13,255,126	3,292,564	16,547,690
Net OPEB liability (Note 16)	1,601,243	-	1,601,243
Other amounts due in more than one year	2,863,169	80,106,498	82,969,667
Total liabilities	<u>21,147,866</u>	<u>87,201,534</u>	<u>108,349,400</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next year	881,704	-	881,704
Pension (Note 15)	2,415,078	1,586,597	4,001,675
OPEB (Note 16)	1,694,279	1,224,450	2,918,729
Total deferred inflows of resources	<u>4,991,061</u>	<u>2,811,047</u>	<u>7,802,108</u>
<b>Net position:</b>			
Net investment in capital assets	23,786,528	57,348,548	81,135,076
Restricted for:			
Debt service	216,738	-	216,738
Transportation projects	866,366	-	866,366
Court projects	538,244	-	538,244
Revolving loans	360,545	-	360,545
R.L. Walsh Trust	791,182	-	791,182
Other purposes	434,901	-	434,901
Unrestricted (deficit)	(1,689,673)	22,214,063	20,524,390
Total net position	<u>\$ 25,304,831</u>	<u>\$ 79,562,611</u>	<u>\$ 104,867,442</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT  
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	<b>Program Revenues</b>		
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>
<b>Governmental activities:</b>			
General government	\$ 2,319,708	\$ 727,557	\$ 144
Security of persons and property	7,195,171	3,621	38,799
Public health and welfare	5,638	-	-
Transportation	1,514,178	743	1,188,011
Community environment	141,801	16,201	157,597
Leisure time activity	1,310,856	480,187	27,263
Economic development	117,969	-	4,831
Interest and fiscal charges	103,511	-	-
<b>Total governmental activities</b>	<b>12,708,832</b>	<b>1,228,309</b>	<b>1,416,645</b>
<b>Business-type activities:</b>			
Water	5,544,371	8,058,264	-
Sewer	7,645,988	9,074,628	-
<b>Total business-type activities</b>	<b>13,190,359</b>	<b>17,132,892</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 25,899,191</b>	<b>\$ 18,361,201</b>	<b>\$ 1,416,645</b>

**General revenues:**  
Income taxes levied for:  
    General purposes  
Property taxes levied for:  
    General purposes  
Hotel/motel taxes  
Grants and entitlements not restricted to specific programs  
Investment earnings  
Decrease in fair value of investments  
Miscellaneous

Total general revenues

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**

<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ -	\$ (1,592,007)	\$ -	\$ (1,592,007)
-	(7,152,751)	-	(7,152,751)
-	(5,638)	-	(5,638)
753,865	428,441	-	428,441
-	31,997	-	31,997
-	(803,406)	-	(803,406)
-	(113,138)	-	(113,138)
-	(103,511)	-	(103,511)
753,865	(9,310,013)	-	(9,310,013)
-	-	2,513,893	2,513,893
-	-	1,428,640	1,428,640
-	-	3,942,533	3,942,533
\$ 753,865	(9,310,013)	3,942,533	(5,367,480)
	11,943,948	-	11,943,948
	922,567	-	922,567
	59,228	-	59,228
	721,619	-	721,619
	293,122	4,424	297,546
	(477,864)	-	(477,864)
	485,586	23,634	509,220
	13,948,206	28,058	13,976,264
	4,638,193	3,970,591	8,608,784
	20,666,638	75,592,020	96,258,658
\$ 25,304,831	\$ 79,562,611	\$ 104,867,442	

**CITY OF FREMONT  
SANDUSKY COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021

	<b>General</b>	<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in pooled cash and investments	\$ 7,862,800	\$ 2,042,501	\$ 4,655,364	\$ 14,560,665
Receivables (net of allowance for uncollectibles):				
Income taxes	3,144,825	-	-	3,144,825
Property and other local taxes	937,429	-	-	937,429
Accounts	85,086	56,912	2,930	144,928
Accrued interest	69,629	-	-	69,629
Loans	-	-	258,392	258,392
Due from other governments	226,492	-	712,125	938,617
Materials and supplies inventory	-	-	219,136	219,136
Prepayments	58,170	-	8,564	66,734
<b>Total assets</b>	<b>\$ 12,384,431</b>	<b>\$ 2,099,413</b>	<b>\$ 5,856,511</b>	<b>\$ 20,340,355</b>
<b>Liabilities:</b>				
Accounts payable	\$ 51,429	\$ -	\$ 24,930	\$ 76,359
Contracts payable	-	133,345	175,000	308,345
Accrued wages and benefits payable	268,165	-	32,153	300,318
Compensated absences payable	80,107	-	-	80,107
Pension and postemployment benefits payable	138,464	-	13,768	152,232
Due to claimants	111,030	-	-	111,030
Deposits held and due to others	-	-	28,520	28,520
Unearned revenue	-	-	833,661	833,661
<b>Total liabilities</b>	<b>649,195</b>	<b>133,345</b>	<b>1,108,032</b>	<b>1,890,572</b>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next year	881,704	-	-	881,704
Delinquent property tax revenue not available	55,725	-	-	55,725
Accrued interest not available	40,223	-	-	40,223
Income tax revenue not available	840,729	-	-	840,729
Intergovernmental revenue not available	152,861	-	354,973	507,834
<b>Total deferred inflows of resources</b>	<b>1,971,242</b>	<b>-</b>	<b>354,973</b>	<b>2,326,215</b>
<b>Fund balances:</b>				
Nonspendable	58,170	-	227,700	285,870
Restricted	-	-	3,382,028	3,382,028
Committed	6,160,891	1,966,068	758,323	8,885,282
Assigned	1,462,875	-	171,338	1,634,213
Unassigned	2,082,058	-	(145,883)	1,936,175
<b>Total fund balances</b>	<b>9,763,994</b>	<b>1,966,068</b>	<b>4,393,506</b>	<b>16,123,568</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 12,384,431</b>	<b>\$ 2,099,413</b>	<b>\$ 5,856,511</b>	<b>\$ 20,340,355</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

<b>Total governmental fund balances</b>		\$ 16,123,568
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		27,528,945
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 840,729	
Delinquent property taxes receivable	55,725	
Due from other governments	507,834	
Accrued interest receivable	40,223	
Total	1,444,511	1,444,511
An internal service fund is used by management to charge the costs of internal equipment service to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.		(63,869)
When consolidating the internal service fund, the portion of the operating income or loss allocated to business-type activities is eliminated from the governmental activities and is reported as a component of internal balance.		(1,292)
In the statement of net position interest is accrued on outstanding bonds, whereas in governmental funds, interest is reported when due.		(40,892)
Unamortized premiums on bond issuances are not recognized in the funds.		(913)
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 (excludes internal service fund balances).		
Net pension asset	21,287	
Deferred outflows of resources - pension	2,029,495	
Deferred inflows of resources - pension	(2,389,544)	
Net pension liability	(13,200,670)	
Total	(13,539,432)	(13,539,432)
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 (excludes internal service fund balances).		
Net OPEB asset	329,070	
Deferred outflows of resources - OPEB	1,151,738	
Deferred inflows of resources - OPEB	(1,674,430)	
Net OPEB liability	(1,601,243)	
Total	(1,794,865)	(1,794,865)
Long-term liabilities, including bonds payable and lease purchase obligations, are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
General obligation bonds	(205,000)	
Bond Anticipation Note	(1,070,000)	
Lease purchase obligation	(2,364,072)	
Compensated absences	(711,858)	
Total	(4,350,930)	(4,350,930)
<b>Net position of governmental activities</b>		<b>\$ 25,304,831</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

	<u>General</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Income taxes	\$ 11,838,355	\$ -	\$ -	\$ 11,838,355
Property and other local taxes	983,333	-	-	983,333
Charges for services	27,125	-	459,268	486,393
Licenses, permits and fees	19,635	-	-	19,635
Fines and forfeitures	272,933	-	160,550	433,483
Intergovernmental	719,971	578,865	1,467,008	2,765,844
Special assessments	-	243	-	243
Investment income	295,636	-	702	296,338
Contributions and donations	42,896	-	1,450	44,346
Decrease in fair value of investments	(477,864)	-	-	(477,864)
Other	774,141	-	56,242	830,383
<b>Total revenues</b>	<u>14,496,161</u>	<u>579,108</u>	<u>2,145,220</u>	<u>17,220,489</u>
<b>Expenditures:</b>				
Current:				
General government	3,094,296	-	120,167	3,214,463
Security of persons and property	7,290,521	-	11,441	7,301,962
Public health and welfare	5,638	-	-	5,638
Transportation	-	-	981,788	981,788
Community environment	179,932	-	128,048	307,980
Leisure time activity	1,015,200	-	923,527	1,938,727
Economic development and assistance	181,934	-	341	182,275
Capital outlay	-	3,452,225	335,559	3,787,784
Debt service:				
Principal retirement	-	-	1,302,068	1,302,068
Interest and fiscal charges	-	-	119,141	119,141
<b>Total expenditures</b>	<u>11,767,521</u>	<u>3,452,225</u>	<u>3,922,080</u>	<u>19,141,826</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,728,640</u>	<u>(2,873,117)</u>	<u>(1,776,860)</u>	<u>(1,921,337)</u>
<b>Other financing sources (uses):</b>				
Note issuance	-	-	1,070,000	1,070,000
Transfers in	-	75,000	839,772	914,772
Transfers out	(914,772)	-	-	(914,772)
<b>Total other financing sources (uses)</b>	<u>(914,772)</u>	<u>75,000</u>	<u>1,909,772</u>	<u>1,070,000</u>
Net change in fund balances	1,813,868	(2,798,117)	132,912	(851,337)
<b>Fund balances at beginning of year</b>	<u>7,950,126</u>	<u>4,764,185</u>	<u>4,260,594</u>	<u>16,974,905</u>
<b>Fund balances at end of year</b>	<u>\$ 9,763,994</u>	<u>\$ 1,966,068</u>	<u>\$ 4,393,506</u>	<u>\$ 16,123,568</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

<b>Net change in fund balances - total governmental funds</b>		\$ (851,337)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 4,413,264	
Current year depreciation	(1,949,996)	
Total		2,463,268
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(2,994)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property tax revenue	(1,538)	
Intergovernmental revenue	24,995	
Income tax revenue	105,593	
Investment income	(2,514)	
Total		126,536
Proceeds of bond anticipation notes are reported as an other financing source in the funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(1,070,000)
Repayment of the general obligation bonds is an expenditure in the governmental funds; however, in the statement of activities it is not recorded as an expense as it decreases liabilities on the statement of net position.		
		1,302,068
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in more interest being reported in the statement of activities:		
Decrease in accrued interest	15,316	
Amortization of bond premiums	314	
Total		15,630
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.		
		158,993
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,336,470
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(758,310)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		22,710
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		
		1,858,934
An internal service fund is used by management to charge the costs of internal equipment service and employee benefits to individual funds are not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund, including internal balance of (\$1,292), is allocated among the governmental activities.		
		36,225
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>4,638,193</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT  
SANDUSKY COUNTY**

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>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property and other local taxes	\$ 829,000	\$ 829,000	\$ 811,414	\$ (17,586)
Charges for services	24,250	24,250	27,125	2,875
Licenses, permits and fees	19,900	19,900	19,635	(265)
Fines and forfeitures	235,000	260,000	272,274	12,274
Intergovernmental	551,000	635,500	717,777	82,277
Investment income	400,000	290,500	304,584	14,084
Contributions and donations	75,000	75,000	37,349	(37,651)
Other	373,000	373,000	377,590	4,590
<b>Total revenues</b>	<u>2,507,150</u>	<u>2,507,150</u>	<u>2,567,748</u>	<u>60,598</u>
<b>Expenditures:</b>				
Current:				
General government	2,739,352	2,910,547	2,437,106	473,441
Security of persons and property	7,218,045	7,516,545	7,122,639	393,906
Public health and welfare	13,250	13,250	6,342	6,908
Community environment	250,500	260,850	184,107	76,743
Leisure time activity	1,078,675	1,285,675	1,012,252	273,423
Economic development and assistance	199,989	202,389	172,976	29,413
<b>Total expenditures</b>	<u>11,499,811</u>	<u>12,189,256</u>	<u>10,935,422</u>	<u>1,253,834</u>
Excess of expenditures over revenues	<u>(8,992,661)</u>	<u>(9,682,106)</u>	<u>(8,367,674)</u>	<u>1,314,432</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	2,500	2,500	5,560	3,060
Transfers in	8,100,000	8,100,000	8,100,000	-
Transfers out	(87,000)	(87,000)	(87,050)	(50)
<b>Total other financing sources (uses)</b>	<u>8,015,500</u>	<u>8,015,500</u>	<u>8,018,510</u>	<u>3,010</u>
Net change in fund balance	(977,161)	(1,666,606)	(349,164)	1,317,442
<b>Fund balance at beginning of year</b>	3,538,014	3,538,014	3,538,014	-
<b>Prior year encumbrances appropriated</b>	422,426	422,426	422,426	-
<b>Fund balance at end of year</b>	<u>\$ 2,983,279</u>	<u>\$ 2,293,834</u>	<u>\$ 3,611,276</u>	<u>\$ 1,317,442</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF FREMONT  
SANDUSKY COUNTY**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2021

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Fund</b>
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>	
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and investments	\$ 2,366,663	\$ 18,829,443	\$ 21,196,106	\$ 25,623
Receivables (net of allowance for uncollectibles):				
Accounts	1,128,723	1,229,963	2,358,686	-
Due from other governments	3,962,167	344	3,962,511	11
Materials and supplies inventory	378,489	81,547	460,036	-
Prepayments	15,008	16,862	31,870	525
<b>Total current assets</b>	<b>7,851,050</b>	<b>20,158,159</b>	<b>28,009,209</b>	<b>26,159</b>
Noncurrent assets:				
Net pension asset (Note 15)	11,376	12,808	24,184	400
Net OPEB asset (Note 16)	175,862	198,007	373,869	6,183
Restricted assets:				
Equity in pooled cash and investments	92,045	-	92,045	-
Capital assets:				
Nondepreciable capital assets	853,867	160,849	1,014,716	-
Depreciable capital assets, net	66,072,596	73,302,543	139,375,139	-
Total capital assets, net	66,926,463	73,463,392	140,389,855	-
<b>Total noncurrent assets</b>	<b>67,205,746</b>	<b>73,674,207</b>	<b>140,879,953</b>	<b>6,583</b>
<b>Total assets</b>	<b>75,056,796</b>	<b>93,832,366</b>	<b>168,889,162</b>	<b>32,742</b>
<b>Deferred outflows of resources:</b>				
Pension (Note 15)	234,939	264,523	499,462	8,290
OPEB (Note 16)	87,150	98,126	185,276	3,128
<b>Total deferred outflows of resources</b>	<b>322,089</b>	<b>362,649</b>	<b>684,738</b>	<b>11,418</b>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	113,791	49,324	163,115	5,060
Accrued wages and benefits payable	61,673	71,002	132,675	2,242
Pension and postemployment benefits payable	24,622	28,476	53,098	888
Accrued interest payable	36,538	26,798	63,336	-
Current portion of compensated absences	22,754	56,505	79,259	-
Current portion of general obligation bonds	645,000	-	645,000	-
Current portion of OWDA loans payable	1,493,427	876,601	2,370,028	-
Current portion of OPWC loans payable	7,549	8,892	16,441	-
Current portion of lease obligations payable	187,475	-	187,475	-
Payable from restricted assets:				
Refundable deposits	92,045	-	92,045	-
<b>Total current liabilities</b>	<b>2,684,874</b>	<b>1,117,598</b>	<b>3,802,472</b>	<b>8,190</b>
Long-term liabilities:				
Compensated absences payable	119,353	164,782	284,135	-
General obligation bonds payable	1,234,057	-	1,234,057	-
OWDA loans payable	15,624,105	60,272,942	75,897,047	-
OPWC loans payable	113,244	22,230	135,474	-
Lease obligations payable	2,555,785	-	2,555,785	-
Net pension liability (Note 15)	1,548,769	1,743,795	3,292,564	54,456
<b>Total long-term liabilities</b>	<b>21,195,313</b>	<b>62,203,749</b>	<b>83,399,062</b>	<b>54,456</b>
<b>Total liabilities</b>	<b>23,880,187</b>	<b>63,321,347</b>	<b>87,201,534</b>	<b>62,646</b>
<b>Deferred inflows of resources:</b>				
Pension (Note 15)	753,922	832,675	1,586,597	25,534
OPEB (Note 16)	575,408	649,042	1,224,450	19,849
<b>Total deferred inflows of resources</b>	<b>1,329,330</b>	<b>1,481,717</b>	<b>2,811,047</b>	<b>45,383</b>
<b>Net position:</b>				
Net investment in capital assets	45,065,821	12,282,727	57,348,548	-
Unrestricted (deficit)	5,103,547	17,109,224	22,212,771	(63,869)
<b>Total net position (deficit)</b>	<b>\$ 50,169,368</b>	<b>\$ 29,391,951</b>	<b>79,561,319</b>	<b>\$ (63,869)</b>
Adjustment to reflect the consolidation of the internal service fund's activity related to enterprise funds			1,292	
<b>Net position of business-type activities</b>			<b>\$ 79,562,611</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

	<u>Business-type Activities - Enterprise Funds</u>			<b>Governmental Activities - Internal Service Fund</b>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
<b>Operating revenues:</b>				
Charges for services	\$ 8,058,264	\$ 9,074,628	\$ 17,132,892	\$ 82,915
Other	<u>13,722</u>	<u>9,912</u>	<u>23,634</u>	<u>134</u>
Total operating revenues	<u>8,071,986</u>	<u>9,084,540</u>	<u>17,156,526</u>	<u>83,049</u>
<b>Operating expenses:</b>				
Personal services	894,542	1,078,404	1,972,946	29,611
Contract services	317,295	410,957	728,252	790
Materials and supplies	912,805	382,376	1,295,181	1,803
Utilities expense	409,652	505,459	915,111	11,337
Depreciation	2,236,101	2,689,821	4,925,922	-
Other	<u>140,555</u>	<u>118,703</u>	<u>259,258</u>	<u>1,184</u>
Total operating expenses	<u>4,910,950</u>	<u>5,185,720</u>	<u>10,096,670</u>	<u>44,725</u>
Operating income	<u>3,161,036</u>	<u>3,898,820</u>	<u>7,059,856</u>	<u>38,324</u>
<b>Nonoperating revenues (expenses):</b>				
Interest revenue	1,203	3,221	4,424	-
Interest and fiscal charges	(621,573)	(2,448,126)	(3,069,699)	-
Loss on disposal of capital assets	<u>(13,554)</u>	<u>(12,535)</u>	<u>(26,089)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(633,924)</u>	<u>(2,457,440)</u>	<u>(3,091,364)</u>	<u>-</u>
Change in net position	2,527,112	1,441,380	3,968,492	38,324
<b>Net position (deficit) at beginning of year</b>	<u>47,642,256</u>	<u>27,950,571</u>		<u>(102,193)</u>
<b>Net position (deficit) at end of year</b>	<u>\$ 50,169,368</u>	<u>\$ 29,391,951</u>		<u>\$ (63,869)</u>
Adjustment to reflect the consolidation of the internal service fund's activity related to enterprise funds			<u>2,099</u>	
Change in net position of business-type activities			<u>\$ 3,970,591</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

	<u>Business-type Activities - Enterprise Funds</u>			<b>Governmental Activities - Internal Service Fund</b>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
<b>Cash flows from operating activities:</b>				
Cash received from charges for services	\$ 7,804,796	\$ 9,017,108	\$ 16,821,904	\$ 82,915
Cash received from other operations	31,997	9,568	41,565	123
Cash payments for personal services	(2,225,249)	(2,524,662)	(4,749,911)	(72,701)
Cash payments for contractual services	(344,002)	(416,563)	(760,565)	(790)
Cash payments for materials and supplies	(886,122)	(381,752)	(1,267,874)	(1,803)
Cash payments for utilities expense	(368,763)	(496,895)	(865,658)	(6,437)
Cash payments for other expenses	(163,505)	(118,703)	(282,208)	(1,184)
Net cash provided by operating activities	<u>3,849,152</u>	<u>5,088,101</u>	<u>8,937,253</u>	<u>123</u>
<b>Cash flows from capital and related financing activities:</b>				
Cash payments for the acquisition of capital assets	(1,328,515)	(153,062)	(1,481,577)	-
Cash received from the sale of capital assets	14,257	12,669	26,926	-
Cash payments for principal retirement	(2,273,122)	(1,558,546)	(3,831,668)	-
Cash payments for interest and fiscal charges	(659,021)	(2,448,126)	(3,107,147)	-
Net cash (used in) capital and related financing activities	<u>(4,246,401)</u>	<u>(4,147,065)</u>	<u>(8,393,466)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Cash received from interest earned	<u>1,203</u>	<u>3,221</u>	<u>4,424</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(396,046)	944,257	548,211	123
<b>Cash and cash equivalents at beginning of year</b>	<u>2,854,754</u>	<u>17,885,186</u>	<u>20,739,940</u>	<u>25,500</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 2,458,708</u>	<u>\$ 18,829,443</u>	<u>\$ 21,288,151</u>	<u>\$ 25,623</u>

- - Continued

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

	<u>Business-type Activities - Enterprise Funds</u>			<b>Governmental Activities - Internal Service Fund</b>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 3,161,036	\$ 3,898,820	\$ 7,059,856	\$ 38,324
Adjustments:				
Depreciation	2,236,101	2,689,821	4,925,922	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
(Increase) in accounts receivable	(253,243)	(95,933)	(349,176)	-
(Increase) decrease in intergovernmental receivable	-	38,069	38,069	(11)
Decrease in materials and supplies inventory	37,919	976	38,895	-
(Increase) in net pension asset	(6,499)	(7,352)	(13,851)	(229)
(Increase) in net OPEB asset	(175,862)	(198,007)	(373,869)	(6,183)
Decrease in prepayments	2,748	2,526	5,274	79
Decrease in deferred outflows - pensions	118,524	111,333	229,857	3,863
Decrease in deferred outflows - OPEB	138,519	154,340	292,859	4,926
Increase in accounts payable	2,730	2,390	5,120	4,900
Increase in accrued wages and benefits	57,781	66,801	124,582	2,125
Increase (decrease) in compensated absences payable	(49,079)	6,033	(43,046)	-
Increase in pension and postemployment benefits payable	7,088	9,080	16,168	290
(Decrease) in refundable deposits liability	(4,900)	-	(4,900)	-
(Decrease) in net pension liability	(599,149)	(658,862)	(1,258,011)	(20,848)
(Decrease) in net OPEB liability	(1,409,709)	(1,576,898)	(2,986,607)	(49,423)
Increase in deferred inflows - pensions	231,054	261,985	493,039	9,498
Increase in deferred inflows - OPEB	354,093	382,979	737,072	12,812
Net cash provided by operating activities	<u>\$ 3,849,152</u>	<u>\$ 5,088,101</u>	<u>\$ 8,937,253</u>	<u>\$ 123</u>

**Noncash Transactions:**

During 2021, the sewer fund received contributed capital assets with a cost of \$44,077 and accumulated depreciation of \$44,077 (net book value of \$0) from governmental activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT  
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2021

	<u>Custodial</u>
<b>Assets:</b>	
Equity in pooled cash and investments	\$ 2,091
Cash in segregated accounts	13,895
Receivables (net of allowances for uncollectibles):	
Accounts	<u>1,669</u>
Total assets	<u>17,655</u>
<b>Liabilities:</b>	
Due to other governments	<u>1,252</u>
<b>Net position:</b>	
Restricted for individuals, organizations and other governments	<u>\$ 16,403</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

	<u>Custodial</u>
<b>Additions:</b>	
Fines and forfeitures for other governments	\$ 829,404
Sewer surcharges collected for other governments	<u>642,608</u>
Total additions	<u>1,472,012</u>
<b>Deductions:</b>	
Fines and forfeitures distributions to other governments	817,498
Sewer surcharges distributions to other governments	<u>642,792</u>
Total deductions	<u>1,460,290</u>
Net change in fiduciary net position	11,722
<b>Net position beginning of year</b>	<u>4,681</u>
<b>Net position end of year</b>	<u><u>\$ 16,403</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

**NOTE 1 - DESCRIPTION OF THE CITY**

The City of Fremont, Sandusky County, Ohio (the City), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under a Council/Mayor form of government and provides the following services to its residents: public safety, highways and streets, water, sewer, health and social services, culture recreation, public improvements, planning and zoning and general administration services.

**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**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. The City's reporting entity has been defined according to GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34" and GASB Statement No. 80, "Blending Requirements for Certain Component Units an Amendment of GASB Statement No. 14."

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the organization's budget, the issuance of its debt or the levying of its taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the City and the organization is such that exclusion by the City would render the City's financial statements incomplete or misleading. Based upon these criteria, the City has no component units but is a member of an insurance pool described in Note 14.

**B. Basis of Presentation - Fund Accounting**

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

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. On the statement of activities, interfund services provided and used are not eliminated in the process of consolidation.

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

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. 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 activity or governmental program is self-financing or draws from the general revenues of the City.

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

**C. Fund Accounting**

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions 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 and liabilities and deferred inflows is reported as fund balance.

The following are the City's major governmental funds:

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.

Capital Improvements fund - The Capital Improvements fund accounts for resources that are restricted for the acquisition, construction, or improvement of capital facilities and other capital assets.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditure for debt service principal and interest and (b) financial resources that are restricted or committed to an expenditure for specified purposes other than debt service.

PROPRIETARY FUNDS

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.



**CITY OF FREMONT  
SANDUSKY COUNTY**

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

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.

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

Internal Service fund - The Internal Service fund accounts for the financing of services provided by one fund or department to other funds or departments of the City on a cost-reimbursement basis. The City's internal service fund reports on the operations of the servicing of internal equipment.

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 distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City's only fiduciary funds are custodial funds. The City's custodial funds account for various funds held for Municipal Court activity, including Ohio Highway Patrol portion of Municipal Court fines, and the collections for the County Sewer District.

**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, all deferred outflows, all liabilities and all deferred inflows 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, current liabilities and current deferred inflows 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets, all deferred outflows, all liabilities and all deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and 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.

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 funds include personnel and other expenses related to the operations of the enterprise activities and operating expenses for the internal service fund include personnel costs and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

**E. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary 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 outflows and in the presentation of expenses versus expenditures.

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

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

*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 Note 15 and Note 16 for deferred outflows of resources related the City's net pension liability/asset and net OPEB liability/asset, 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 and unavailable revenue. Property 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 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 Note 15 and Note 16 for deferred inflows of resources related to the City's net pension liability/asset and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

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

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

**F. Budgetary Process**

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, other than custodial funds, are legally required to be budgeted and appropriated. The legal level of control has been established at the fund-department and within each department, the amount spent on personal services and all other expenditures for all funds.

Estimated Resources - The County Budget Commission reviews the estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget 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 estimated beginning of year fund balance and projected revenue of each fund. On or about December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing 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 the actual unencumbered fund balances from the preceding year. The certificate of estimated resources may be further amended during the year if the City Auditor determines that revenue to be collected will be greater than or less than prior estimates and the County Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the first and final amended official certificate 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 fund, department, and within each department, the amount for personal services and all other expenditures. 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 allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. The amounts set forth in the financial statements represent the original and final appropriations approved by City Council during 2021.

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 appropriation. Encumbered appropriations are reappropriated in the succeeding year.

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at year end are reported as restricted, committed, or assigned classifications of fund balance in the governmental fund financial statements.

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

**G. Cash and Investments**

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

Cash and cash equivalents that are held separately for the City in segregated accounts and not held with the City Treasurer are recorded on the basic financial statements as "cash in segregated accounts".

During 2021, investments were limited to the Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Bank (FHLB) securities, Federal Agriculture Mortgage Corporation (FAMC) securities, negotiable certificates of deposit (negotiable CD's), U.S. Treasury notes, and a U.S. Government money market fund. Investments are reported at fair value which is based on quoted market prices.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General fund during 2021 was \$295,636, which includes \$238,670 assigned from other City funds.

For purposes of the statement of cash flows and for presentation on the basic financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

**H. 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.

**I. Inventories of Materials and Supplies**

On the government-wide and fund financial statements, inventories are presented at the lower of cost or market 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 net current assets.

**J. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value. The City maintains a capitalization threshold of \$2,500. The City's governmental infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers and streets. The City's proprietary and business-type infrastructure consists of 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 capitalized. Interest incurred during the construction of proprietary capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	10-50 years	10-50 years
Buildings	25-50 years	25-50 years
Building improvements	5-50 years	5-25 years
Machinery and equipment	3-30 years	5-10 years
Infrastructure - streets, sidewalks, and storm sewers	25-50 years	50 years
Infrastructure - bridges and culverts	25-50 years	25-50 years

**K. 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 the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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 as well as the sick leave accumulated by those employees expected to become eligible to receive termination benefits in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City’s union contracts or administrative ordinance. The City records a liability for accumulated unused sick leave for all employees with 10 or more years of service with the City up to a maximum of 500 hours for all employees except police sergeants, captains, and firefighters, which have a maximum of 600 hours.

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.

**L. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. 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.

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**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. Interfund activity between governmental funds is eliminated for reporting on the governmental statement of activities.

**N. Fund Balance**

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

*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. The City Council has also assigned amounts to cover a gap between estimated resources and appropriations in the 2021 budget.

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

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

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**O. Restricted Assets**

Customer deposits are held in the water fund to assure payment of utility bills. At December 31, 2021, the City held \$92,045 in restricted customer deposits. These restricted assets are equally offset by a restricted payable so there is no effect on net position of the water fund.

**P. Bond Issuance Costs, Bond Premiums and Discounts, Accounting Gain or Loss**

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

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the statement of net position is presented in Note 12.

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

**Q. 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.

**R. 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, grants or outside contributions of resources restricted to capital acquisition and construction, or capital assets that are purchased by a fund and then transferred to another fund. Capital contributions are reported as nonoperating revenue in the proprietary fund financial statements. During 2021, the City did not report any capital contributions.

**S. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is 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. None of the City's net position are restricted by enabling legislation.

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

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**T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. In 2021, the City has an ongoing special item for continued financial transactions related to the removal of Ballville dam (see Note 21). During 2021, the City reported no changes in the special item.

**U. Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability/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.

**V. Prepayments**

Payments made to vendors for services that benefit future periods are recorded as prepayments in both government-wide and fund financial statements. A current asset for the prepaid amount is recorded at the time of purchase, and the expenditure is reported in the year in which services are consumed. Governmental fund balance has been presented as nonspendable equal to the balance of the prepayments at year-end.

**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.



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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>
SCIP	\$ 145,883

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.

**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 securities listed above provide 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;

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4. Bonds and other obligations of the State of Ohio; and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

1. Bonds 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;
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.

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 treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Restricted equity in pooled cash: At year-end, the City had \$92,045 in restricted assets for refundable deposits from customers of the water fund. This amount is included in the "Deposits with Financial Institutions" below.

**A. Cash in Segregated Accounts**

At year end, \$13,895 was on deposit in segregated accounts for the Municipal Court and small business checking account. These accounts are included in the total amount of "Deposits with Financial Institutions" reported below; however, this amount is not part of the internal cash pool reported on the statement of net position and the governmental funds balance sheet as "equity in pooled cash and investments".

**B. Deposits with Financial Institutions**

At December 31, 2021, the carrying amount of all City deposits was \$8,940,487 and the bank balance of all City deposits was \$9,846,078. Of the bank balance, \$3,563,422 was covered by the FDIC and \$6,282,656 was covered by the Ohio Pooled Collateral System.

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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 Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2021, the City's deposits were collateralized through participation in the 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:

Measurement/ <u>Investment type</u>	Measurement <u>Value</u>	Investment <u>Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
<i>Fair value:</i>						
FHLMC	\$ 1,071,517	\$ -	\$ -	\$ -	\$ -	\$ 1,071,517
FNMA	1,839,947	-	-	-	-	1,839,947
FHLB	2,649,158	-	-	-	-	2,649,158
FFCB	7,442,402	-	689,952	815,020	713,921	5,223,509
FAMC	351,532	-	-	-	-	351,532
U.S. Treasury Note	3,612,544	-	-	-	1,085,750	2,526,794
Negotiable CD	9,938,484	3,167,415	1,309,627	2,166,745	252,985	3,041,712
U.S. Government Money Market Mutual funds	30,459	30,459	-	-	-	-
<b>Total</b>	<b>\$ 26,936,043</b>	<b>\$ 3,197,874</b>	<b>\$ 1,999,579</b>	<b>\$ 2,981,765</b>	<b>\$ 2,052,656</b>	<b>\$ 16,704,169</b>

The weighted average maturity of investments is 2.16 years.

Fair Value Measurements: The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City's investments in U.S. government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The City's investments in federal agency securities and negotiable CDs are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: The Ohio Revised Code general limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment.

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Credit Risk: The City's investments in federal agency securities and U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The City's negotiable CD's were not rated but are fully insured by the FDIC.

U.S. Government money market mutual funds carry a rating of AAA by Standard & Poor's.

Concentration of Credit Risk: The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2021:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Fair value:</i>		
FHLMC	\$ 1,071,517	3.98
FNMA	1,839,947	6.83
FHLB	2,649,158	9.84
FFCB	7,442,402	27.63
FAMC	351,532	1.30
U.S. Treasury Note	3,612,544	13.41
Negotiable CD	9,938,484	36.90
U.S. Government Money Market Mutual funds	<u>30,459</u>	<u>0.11</u>
Total	<u>\$ 26,936,043</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 disclosure above to cash and investments as reported on the statement of net position as of December 31, 2021:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 8,940,487
Investments	26,936,043
Cash in segregated accounts	13,895
Total	<u>\$ 35,890,425</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 14,586,288
Business-type activities	21,288,151
Custodial funds	15,986
Total	<u>\$ 35,890,425</u>

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**NOTE 5 - INTERFUND TRANSFERS**

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

<u>Transfers from:</u>	<u>General</u>
Capital improvements fund	\$ 75,000
Nonmajor governmental funds	<u>839,772</u>
Total	<u>\$ 914,772</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to provide additional resources for current operations or debt service; reclassification of prior year distributed monies, to segregate money for anticipated capital projects; and to return money to the fund from which it was originally provided once a project is completed.

Transfers between governmental funds are eliminated on the government-wide 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.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Fremont. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, tangible personal property taxes and 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 deferred inflows since the current taxes were not levied to finance 2021 operations and the collection of delinquent taxes has been offset by deferred revenue 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 deferred inflow.

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The full tax rate for all City operations for the year ended December 31, 2021 was \$3.20 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2020 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 148,891,690
Commercial/industrial/mineral	102,027,800
<u>Public utility</u>	
Real	80,010
Personal	<u>19,488,530</u>
Total assessed value	<u><u>\$270,488,030</u></u>

**NOTE 7 - LOCAL INCOME TAX**

The City levies and collects an income tax of 1.5 percent based on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax revenue is credited to the General fund and amounted to \$11,838,355 in 2021. The Regional Income Tax Agency administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of approximately three percent.

**NOTE 8 - RECEIVABLES**

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

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

<u>Receivables:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Income taxes	\$ 3,144,825	\$ -
Property and other local taxes	937,429	-
Accounts	144,928	2,358,686
Loans	258,392	-
Accrued interest	69,629	-
Due from other governments	<u>938,628</u>	<u>3,962,511</u>
Total	<u><u>\$ 5,493,831</u></u>	<u><u>\$ 6,321,197</u></u>

Receivables have been disaggregated on the face of the basic financial statements. The only receivables not expected to be collected within the subsequent year is the loans receivable, which is collected over the life of the loans (see Note 9). \$3,962,167 of the business-type activities receivable is further described in Note 21.

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**NOTE 9 - LOANS RECEIVABLE**

The Fremont City Council created the Revolving Loan Committee and granted them the authority to act on behalf of the City of Fremont 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 to four businesses with a total principal balance of \$258,392. \$8,443 is the amount due within one year and \$249,949 is due in more than one year.

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021 was as follows:

<b><u>Governmental activities:</u></b>	<u>Balance</u> <u>12/31/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/21</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 864,955	\$ -	\$ -	\$ 864,955
Construction-in-progress	<u>1,948,260</u>	<u>3,868,407</u>	<u>(4,557,693)</u>	<u>1,258,974</u>
<i>Total capital assets, not being depreciated</i>	<u>2,813,215</u>	<u>3,868,407</u>	<u>(4,557,693)</u>	<u>2,123,929</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	4,730,764	971,468	-	5,702,232
Buildings and improvements	13,657,187	8,320	-	13,665,507
Machinery and equipment	9,742,377	718,843	(164,104)	10,297,116
Infrastructure	<u>25,155,228</u>	<u>3,403,919</u>	<u>-</u>	<u>28,559,147</u>
<i>Total capital assets, being depreciated</i>	<u>53,285,556</u>	<u>5,102,550</u>	<u>(164,104)</u>	<u>58,224,002</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(3,330,424)	(182,987)	-	(3,513,411)
Buildings and improvements	(8,107,359)	(428,595)	-	(8,535,954)
Machinery and equipment	(5,156,373)	(497,986)	161,110	(5,493,249)
Infrastructure	<u>(14,435,944)</u>	<u>(840,428)</u>	<u>-</u>	<u>(15,276,372)</u>
<i>Total accumulated depreciation</i>	<u>(31,030,100)</u>	<u>(1,949,996)</u>	<u>161,110</u>	<u>(32,818,986)</u>
Total capital assets, being depreciated, net	<u>22,255,456</u>	<u>3,152,554</u>	<u>(2,994)</u>	<u>25,405,016</u>
Total capital assets, net	<u>\$ 25,068,671</u>	<u>\$ 7,020,961</u>	<u>\$ (4,560,687)</u>	<u>\$ 27,528,945</u>

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

<b><u>Governmental activities:</u></b>	
General government	\$ 119,286
Security of persons and property	327,300
Transportation	979,754
Leisure time activities	505,829
Economic development	<u>17,827</u>
Total depreciation expense	<u>\$ 1,949,996</u>

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<b><u>Business-type activities:</u></b>	<u>Balance</u> <u>12/31/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/21</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 977,180	\$ -	\$ -	\$ 977,180
Construction-in-progress	<u>531,706</u>	<u>45,793</u>	<u>(539,963)</u>	<u>37,536</u>
<i>Total capital assets, not being depreciated</i>	<u>1,508,886</u>	<u>45,793</u>	<u>(539,963)</u>	<u>1,014,716</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	47,199,920	43,887	-	47,243,807
Buildings and improvements	94,632,498	31,320	(3,413)	94,660,405
Machinery and equipment	18,718,679	277,892	(276,563)	18,720,008
Infrastructure	<u>31,775,218</u>	<u>1,666,725</u>	<u>-</u>	<u>33,441,943</u>
<i>Total capital assets, being depreciated</i>	<u>192,326,315</u>	<u>2,019,824</u>	<u>(279,976)</u>	<u>194,066,163</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(7,127,682)	(1,093,518)	-	(8,221,200)
Buildings and improvements	(22,690,094)	(2,276,039)	3,413	(24,962,720)
Machinery and equipment	(8,059,993)	(1,010,705)	223,548	(8,847,150)
Infrastructure	<u>(12,070,217)</u>	<u>(589,737)</u>	<u>-</u>	<u>(12,659,954)</u>
<i>Total accumulated depreciation</i>	<u>(49,947,986)</u>	<u>(4,969,999)</u>	<u>226,961</u>	<u>(54,691,024)</u>
Total capital assets, being depreciated, net	<u>142,378,329</u>	<u>(2,950,175)</u>	<u>(53,015)</u>	<u>139,375,139</u>
Total capital assets, net	<u>\$ 143,887,215</u>	<u>\$ (2,904,382)</u>	<u>\$ (592,978)</u>	<u>\$ 140,389,855</u>

Construction in progress represents costs of the water fund relating to a chemical feed building as of December 31, 2021.

Capital Assets related to Ohio Water Development Authority (OWDA) loans include \$940,443 in capitalized interest from years prior to the implementation of GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period."

Depreciation expense was charged to the enterprise funds of the City as follows:

<b><u>Business-type activities:</u></b>	<u>Depreciation</u> <u>Expense</u>
Water fund	\$ 2,236,101
Sewer fund	<u>2,689,821</u>
Total depreciation expense	<u>\$ 4,925,922</u>
Accumulated depreciation on capital assets transferred from governmental activities	<u>44,077</u>
Increase in accumulated depreciation	<u>\$ 4,969,999</u>



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**NOTE 11 - LEASE-PURCHASE AGREEMENT**

The lease purchase agreements are direct borrowings that have terms negotiated directly between the City and the vendor and are not offered for public sale.

In 2018, the City entered into a lease-purchase agreement to finance the purchase of energy efficient equipment. Principal and interest payments are made 46% from the Capital Improvement fund and 54% from the water fund. In the event of default, the lessor may declare all rental payments payable by the City and other amounts payable by the City hereunder to the end of the then current original term or renewal term to be immediately due and payable.

In 2019 and 2020, the City entered into lease-purchase agreements to finance the purchases of fitness equipment. Principal and interest payments are made from the public recreation fund (a nonmajor governmental fund).

The following is a schedule of the future minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of December 31, 2021:

Year Ending December 31,	Governmental Activities	Business-type Activities
2022	\$ 257,202	\$ 284,934
2023	251,481	284,935
2024	244,095	284,934
2025	242,722	284,934
2026	242,722	284,934
2027 - 2031	1,213,609	1,424,673
2032 - 2033	487,515	567,797
Total minimum lease payments	2,939,346	3,417,141
Less: amount representing interest	<u>(575,274)</u>	<u>(673,881)</u>
Present value of future minimum lease payments	<u>\$ 2,364,072</u>	<u>\$ 2,743,260</u>

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**NOTE 12 - LONG-TERM OBLIGATIONS**

**A. Governmental activities**

The City's governmental activities long-term obligations at December 31, 2021 were as follows.

<b><u>Governmental activities:</u></b>	Balance <u>12/31/20</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/21</u>	Amount Due Within <u>One Year</u>
<u>General obligation bonds:</u>					
Police and fire pension	\$ 270,000	\$ -	\$ (65,000)	\$ 205,000	\$ 65,000
<u>Bond anticipation notes:</u>					
Street improvement	1,070,000	1,070,000	(1,070,000)	1,070,000	1,070,000
<u>Other long-term obligations:</u>					
Net pension liability	14,074,146	133,875	(952,895)	13,255,126	-
Net OPEB liability	4,054,195	110,205	(2,563,157)	1,601,243	-
Lease purchase agreement (direct borrowing)	2,531,140	-	(167,068)	2,364,072	173,262
Compensated absences	953,544	211,747	(373,326)	791,965	260,519
Total	22,953,025	1,525,827	(5,191,446)	19,287,406	1,568,781
Unamortized premium on bonds	1,227	-	(314)	913	-
Total long-term obligations	<u>\$ 22,954,252</u>	<u>\$ 1,525,827</u>	<u>\$ (5,191,760)</u>	<u>\$ 19,288,319</u>	<u>\$ 1,568,781</u>

**Police and Fire Pension General Obligation Bonds**

On October 31, 2012, the City issued \$745,000 in general obligation bonds. The proceeds of these bonds were used to retire the police and fire past service liability. The bonds bear interest rates ranging from 1.7% to 2.7%. These bonds are a general obligation of the City, and principal and interest payments will be made from the police and fire debt service fund. These bonds mature on December 1, 2024. The general obligation bonds are supported by the full faith and credit of the City.

**Street Improvement Notes**

On June 23, 2021, the City issued \$1,070,000 in notes related to governmental activities. The proceeds of these notes were used to pay off the previous street improvement notes. The notes bear an interest rate of 0.195%. These bonds will mature on June 23, 2022. The City entered into a qualifying financing agreement subsequent to year end in the amount of \$1,070,000.

**Lease Purchase Agreements**

See Note 11 for information on the City's lease purchase agreements.

**Compensated Absences**

Compensated absences will be paid from the fund from which the employees' salaries are paid, which for the City is primarily the General fund and the street maintenance fund (a nonmajor governmental fund).

**Net Pension Liability and Net OPEB Liability**

The City pays obligations related to employee compensation from the fund benefitting from their service. See Note 15 and Note 16 for further information.

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**B. Business-type activities**

The City's business-type activities long-term obligations at December 31, 2021 were as follows.

<b><u>Business-type activities:</u></b>	<u>Balance</u>			<u>Balance</u>	<u>Amount Due</u>
	<u>12/31/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/21</u>	<u>Within</u>
					<u>One Year</u>
<b><u>General obligation bonds</u></b>					
Water refunding series 2012	\$ 2,415,000	\$ -	\$ (635,000)	\$ 1,780,000	\$ 645,000
<b><u>OPWC loans (direct borrowing):</u></b>					
Sewer - series 2001	10,333	-	(10,333)	-	-
Sewer - series 2004	40,014	-	(8,892)	31,122	8,892
Water - series 2017	128,342	-	(7,549)	120,793	7,549
Total	<u>178,689</u>	<u>-</u>	<u>(26,774)</u>	<u>151,915</u>	<u>16,441</u>
<b><u>OWDA loans (direct borrowing):</u></b>					
Dam removal project	2,340,729	-	(159,094)	2,181,635	164,873
Water pollution control center expansion	60,348,135	-	(1,380,227)	58,967,908	711,728
Water reservoir phase 1	3,678,746	-	(282,492)	3,396,254	291,869
Water reservoir phase 2	1,064,774	-	(82,391)	982,383	85,006
Off stream raw water - supply phase 2A	582,606	-	(47,619)	534,987	49,131
Water reservoir phase 1 - supplement	13,240,931	-	(1,037,023)	12,203,908	1,067,421
Total	<u>81,255,921</u>	<u>-</u>	<u>(2,988,846)</u>	<u>78,267,075</u>	<u>2,370,028</u>
<b><u>Other long-term obligations</u></b>					
Net pension liability	4,550,575	-	(1,258,011)	3,292,564	-
Net OPEB liability	2,986,607	-	(2,986,607)	-	-
Lease-purchase agreement (direct borrowing)	2,924,308	-	(181,048)	2,743,260	187,475
Compensated absences	406,440	-	(43,046)	363,394	79,259
Total	<u>94,717,540</u>	<u>-</u>	<u>(8,119,332)</u>	<u>86,598,208</u>	<u>3,298,203</u>
Unamortized premium on bonds	<u>133,019</u>	<u>-</u>	<u>(33,962)</u>	<u>99,057</u>	<u>-</u>
Total long-term obligations	<u>\$ 94,850,559</u>	<u>\$ -</u>	<u>\$ (8,153,294)</u>	<u>\$ 86,697,265</u>	<u>\$ 3,298,203</u>

**Series 2012 Water Refunding General Obligation Bond**

On October 3, 2012, the City issued \$6,900,000 in general obligation current refunding bonds to refund outstanding general obligation bonds. The balance of the refunding bonds at December 31, 2019 is \$2,415,000. The refunding bonds bear an annual interest rate ranging from 2.00% - 5.00% and will mature in 2024. The general obligation bonds are a general obligation of the City, and the principal and interest payments are paid from the water fund. A portion of the proceeds of the bonds were used for the advance refunding of the 2003 general obligation bonds. These proceeds were used to purchase state and local government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The balance of the refunded bonds at December 31, 2021 is \$1,995,000; however, this amount is not included in the City's outstanding debt since the City has satisfied its obligations through the advance refunding. The general obligation bonds are supported by the full faith and credit of the City.

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Ohio Public Works Commission (OPWC) Loans

The OPWC loans were granted from the Ohio Public Works Commission in 2001, 2004, and 2017, and do not carry an interest rate. The OPWC loans granted in 2001 and 2004 are an obligation of the sewer fund, and the principal payments are paid out of the sewer fund. The OPWC loan granted in 2017 is an obligation of the water fund, and the principal payments are paid out of the water fund. The OPWC loan proceeds were used for improvements to the sewer plant and facilities and waterlines.

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 (1) charge an 8% default interest rate from the date of the default to the date of the payment and charge the City for all costs incurred by the OPWC in curing the default, (2) in accordance with Ohio Revised Code 164.05, direct the county treasurer of the county in which the City is located to pay the amount of the default from funds that would otherwise be appropriated to the City from such county's undivided local government fund pursuant to ORC 5747.51-5747.53, or (3) at its discretion, declare the entire principal amount of loan then remaining unpaid, together with all accrued interest and other charges, become immediately due and payable.

Ohio Water Development Authority (OWDA) Loans

The City has entered into loans with the Ohio Water Development Authority for the construction of the Water Reservoir Phase 1, Water Reservoir Phase 2, Sewer Dam Removal Project, Water Pollution Control Center Expansion and Off Stream Raw Water Supply Phase 2A. The OWDA loans carry interest rates of 2.49% - 4.49% and mature between July 1, 2031 and July 1, 2046. Repayment of these loans will be funded through user charges.

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 a future date which has yet to be finalized. Annual principal and interest payments on the loans are expected to require 50.53 percent of net revenues and 35.31 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$115,130,623. Principal and interest paid for the current year were \$6,058,545, total net revenues were \$11,990,202 and total revenues were \$17,156,526.

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.

**C. Future Debt Service Requirements**

Principal and interest requirements to retire the general obligation bonds, the OPWC loans, and the police and fire pension liability as of December 31, 2021 are as follows:

Year Ending December 31,	Pension Liability - Police and Fire Pension		
	Principal	Interest	Total
2022	\$ 65,000	\$ 5,535	\$ 70,535
2023	70,000	3,780	73,780
2024	70,000	1,890	71,890
Total	<u>\$ 205,000</u>	<u>\$ 11,205</u>	<u>\$ 216,205</u>

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Year Ending December 31,	General Obligation Bonds - Water Series 2012			Year Ending December 31,	OPWC Loans Water Series 2017		
	Principal	Interest	Total		Principal	Interest	Total
2022	\$ 645,000	\$ 35,600	\$ 680,600	2022	\$ 7,549	\$ -	\$ 7,549
2023	660,000	22,700	682,700	2023	7,550	-	7,550
2024	475,000	9,500	484,500	2024	7,550	-	7,550
Total	<u>\$ 1,780,000</u>	<u>\$ 67,800</u>	<u>\$ 1,847,800</u>	2025	7,550	-	7,550
				2026	7,550	-	7,550
				2027 - 2031	37,748	-	37,748
				2032 - 2036	37,748	-	37,748
				2037 - 2038	7,548	-	7,548
				Total	<u>\$ 120,793</u>	<u>\$ -</u>	<u>\$ 120,793</u>

Year Ending December 31,	OPWC Loans - Sewer - Series 2004			Year Ending December 31,	OWDA Loans		
	Principal	Interest	Total		Principal	Interest	Total
2022	\$ 8,892	\$ -	\$ 8,892	2022	\$ 2,370,028	\$ 1,742,725	\$ 4,112,753
2023	8,892	-	8,892	2023	3,177,765	2,811,665	5,989,430
2024	8,892	-	8,892	2024	3,292,420	2,700,694	5,993,114
2025	4,446	-	4,446	2025	3,411,374	2,585,589	5,996,963
Total	<u>\$ 31,122</u>	<u>\$ -</u>	<u>\$ 31,122</u>	2026	3,534,791	2,466,192	6,000,983
				2027 - 2031	19,661,172	10,377,815	30,038,987
				2032 - 2036	11,814,394	7,421,931	19,236,325
				2037 - 2041	14,239,329	4,910,386	19,149,715
				2042 - 2046	16,765,802	1,846,550	18,612,352
				Total	<u>\$ 78,267,075</u>	<u>\$ 36,863,547</u>	<u>\$ 115,130,622</u>

**D. Legal Debt Margin**

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The 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 debt margin was \$28,572,581 and the unvoted debt margin was \$14,876,842.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

Employees earn vacation and sick leave at different rates which are also affected by length of service. Vacation can be carried over at different rates depending on the department. Police captains, sergeants, patrol officers, dispatchers and record clerks may carry over five days for use during the first six months of the following year. Sick leave accrual is continuous. Overtime worked is always paid, or accrued, to employees on the paycheck for the period in which it was worked.

Upon retirement, police captains and sergeants are paid for 33.33 percent and firefighters are paid for 33.50 percent of their accumulated hours of sick leave, up to 1,800 hours for a maximum payout of 600 hours. All other employees are paid for 42 percent of their accumulated hours of sick leave, up to 1,200 hours for a maximum payout of 500 hours.

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Upon retirement, termination, or death of the employee, accrued vacation is paid for time the employees have earned but not yet used.

As of December 31, 2021, the governmental activities liability for compensated absences was \$791,965, the business-type activities liability for compensated absences was \$363,394, and the City's total liability for compensated absences was \$1,155,359.

**NOTE 14 - RISK MANAGEMENT**

**Property and Casualty Insurance**

The City is exposed to various risks of property and casualty losses, and injuries to employees.

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2021, PEP retained \$500,000 for casualty claims and \$250,000 for property claims. Settlements have not exceeded insurance coverage in each of the past three years and there has not been a significant reduction in coverage from the prior year.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2021 and 2020:

<u>Casualty &amp; Property Coverage</u>	<u>2021</u>	<u>2020</u>
Assets	\$59,340,305	\$57,336,499
Liabilities	(17,071,953)	(16,156,805)
Net Position	<u>\$42,268,352</u>	<u>\$41,179,694</u>

At December 31, 2021 and 2020, respectively, the liabilities above include approximately \$14.1 million and \$14.7 million of estimated incurred claims payable. At December 31, 2021 and 2020, the assets above include approximately \$13.9 million and \$13.5 million of unpaid claims to be billed. The Pool's membership increased from 571 members in 2019 to 571 members in 2020. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2021, the City's share of these unpaid claims collectible in future years is approximately \$181,828.

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

<u>Contributions to PEP</u>	
2021	\$274,184
2020	\$288,616

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

**NOTE 15 - 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.

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

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

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

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The remainder of this note includes the pension disclosures. See Note 16 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):

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

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

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



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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
<b>2021 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee *	10.0 %
<b>2021 Actual Contribution Rates</b>	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits ****	0.0 %
Total Employer	14.0 %
Employee	10.0 %

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

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

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

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$944,277 for 2021. Of this amount, \$99,858 is reported as pension and postemployment benefits payable.

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***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](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

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

	<u>Police</u>	<u>Firefighters</u>
<b>2021 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
<b>2021 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50 %</u>	<u>0.50 %</u>
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 \$898,276 for 2021. Of this amount, \$100,994 is reported as pension and postemployment benefits payable.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2021, the specific liability of the City was \$205,000 payable in semi-annual payments through the year 2035.

***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&amp;F</u>	<u>Total</u>
Proportion of the net pension liability/asset prior measurement date	0.04278100%	0.00917700%	0.00171700%	0.15094950%	
Proportion of the net pension liability/asset current measurement date	<u>0.04217400%</u>	<u>0.01578400%</u>	<u>0.00169100%</u>	<u>0.15112960%</u>	
Change in proportionate share	<u>-0.00060700%</u>	<u>0.00660700%</u>	<u>-0.00002600%</u>	<u>0.00018010%</u>	
Proportionate share of the net pension liability	\$ 6,245,050	\$ -	\$ -	\$ 10,302,640	\$ 16,547,690
Proportionate share of the net pension asset	-	45,563	308	-	45,871
Pension expense	(11,156)	1,074	(221)	718,014	707,711

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Of the City's proportionate share of the net pension liability of \$16,547,690, \$13,255,126 is reported in the governmental activities and \$3,292,564 is reported in the business-type activities.

Of the City's proportionate share of the net pension asset of \$45,871, \$21,687 is reported in the governmental activities and \$24,184 is reported in the business-type activities.

Of the City's total pension expense of \$707,711, \$758,828 is reported in the governmental activities (including \$518 related to the internal service fund) and (\$51,117) is reported in the business-type activities.

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
<b>Deferred outflows of resources</b>					
Differences between expected and actual experience	\$ -	\$ -	\$ 206	\$ 430,682	\$ 430,888
Changes of assumptions	-	2,847	7	172,781	175,635
Changes in employer's proportionate percentage/ difference between employer contributions	22,518	-	-	65,653	88,171
Contributions subsequent to the measurement date	927,472	10,352	6,453	898,276	1,842,553
Total deferred outflows of resources	<u>\$ 949,990</u>	<u>\$ 13,199</u>	<u>\$ 6,666</u>	<u>\$ 1,567,392</u>	<u>\$ 2,537,247</u>
<b>Deferred inflows of resources</b>					
Differences between expected and actual experience	\$ 261,236	\$ 8,593	\$ -	\$ 401,360	\$ 671,189
Net difference between projected and actual earnings on pension plan investments	2,434,139	6,778	37	499,747	2,940,701
Changes in employer's proportionate percentage/ difference between employer contributions	169,945	-	-	219,840	389,785
Total deferred inflows of resources	<u>\$ 2,865,320</u>	<u>\$ 15,371</u>	<u>\$ 37</u>	<u>\$ 1,120,947</u>	<u>\$ 4,001,675</u>

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\$1,842,553 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.

Of the total contributions made subsequent to the measurement date, \$1,344,704 relates to governmental activities (including \$8,234 related to the internal service fund) and \$497,849 relates to business-type activities.

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	\$ (1,143,896)	\$ (3,265)	\$ 26	\$ (133,542)	\$ (1,280,677)
2023	(374,689)	(2,076)	27	179,908	(196,830)
2024	(992,238)	(3,630)	21	(465,529)	(1,461,376)
2025	(331,979)	(1,696)	23	(52,867)	(386,519)
2026	-	(723)	24	20,199	19,500
Thereafter	-	(1,134)	55	-	(1,079)
Total	<u>\$ (2,842,802)</u>	<u>\$ (12,524)</u>	<u>\$ 176</u>	<u>\$ (451,831)</u>	<u>\$ (3,306,981)</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.

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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.

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:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
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
<b>Total</b>	<b>100.00 %</b>	<b>5.43 %</b>

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**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.

**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:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 11,912,468	\$ 6,245,050	\$ 1,532,603
Combined Plan	(31,726)	(45,563)	(55,875)
Member-Directed Plan	(271)	(308)	(338)

**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

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

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

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

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

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

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

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



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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
<b>Total</b>	<b>125.00 %</b>	

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.

**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.

	Current		
	1% Decrease	Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 14,342,595	\$ 10,302,640	\$ 6,921,606

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**NOTE 16 - DEFINED BENEFIT OPEB PLANS**

*Net OPEB Liability/Asset*

See Note 15 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.

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.

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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 \$2,581 for 2021. Of this amount, \$273 is reported as pension and postemployment benefits payable.

***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.

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50% 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 \$21,512 for 2021. Of this amount, \$2,419 is reported as pension and postemployment benefits payable.

***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.

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

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.04017900%	0.15094950%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.03980300%</u>	<u>0.15112960%</u>	
Change in proportionate share	<u>-0.00037600%</u>	<u>0.00018010%</u>	
Proportionate share of the net OPEB liability	\$ -	\$ 1,601,243	\$ 1,601,243
Proportionate share of the net OPEB asset	709,122	-	709,122
OPEB expense	(4,370,135)	144,172	(4,225,963)

Of the City's proportionate share of the net OPEB liability of \$1,601,243, the entire amount is reported in the governmental activities.

Of the City's proportionate share of the net OPEB asset of \$709,122, \$335,253 is reported in the governmental activities and \$373,869 is reported in the business-type activities.

Of the City's total OPEB expense of (\$4,225,963), (\$1,896,779) is reported in the governmental activities (including (\$37,845) related to the internal service fund) and \$2,327,184 is reported in the business-type activities.

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&amp;F</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Changes of assumptions	\$ 348,611	\$ 884,599	\$ 1,233,210
Changes in employer's proportionate percentage/difference between employer contributions	20,516	62,323	82,839
Contributions subsequent to the measurement date	2,581	21,512	24,093
Total deferred outflows of resources	<u>\$ 371,708</u>	<u>\$ 968,434</u>	<u>\$ 1,340,142</u>

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	OPERS	OP&F	Total
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 639,981	\$ 264,121	\$ 904,102
Net difference between projected and actual earnings on OPEB plan investments	377,686	59,505	437,191
Changes of assumptions	1,148,991	255,268	1,404,259
Changes in employer's proportionate percentage/ difference between employer contributions	103,029	70,148	173,177
Total deferred inflows of resources	<u>\$ 2,269,687</u>	<u>\$ 649,042</u>	<u>\$ 2,918,729</u>

\$24,093 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. Of the total contributions made subsequent to the measurement date, \$22,733 relates to governmental activities (including \$23 related to the internal service fund) and \$1,360 relates to business-type activities.

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	\$ (1,017,158)	\$ 59,709	\$ (957,449)
2023	(674,773)	73,800	(600,973)
2024	(164,124)	51,586	(112,538)
2025	(44,505)	62,366	17,861
2026	-	25,746	25,746
Thereafter	-	24,673	24,673
Total	<u>\$ (1,900,560)</u>	<u>\$ 297,880</u>	<u>\$ (1,602,680)</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.

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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.

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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.



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***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:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB asset	\$ 176,327	\$ 709,122	\$ 1,147,122

***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.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB asset	\$ 726,405	\$ 709,122	\$ 689,786

***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.

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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.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return **</u>
Cash and Cash Equivalents	- %	0.00 %
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	<u>125.00 %</u>	

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.

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	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 1,996,658	\$ 1,601,243	\$ 1,275,071

***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 17 - 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 are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (349,164)
Net adjustment for revenue accruals	(284,920)
Net adjustment for expenditure accruals	(276,747)
Net adjustment for other sources/uses	(5,560)
Funds budgeted elsewhere	2,587,065
Adjustment for encumbrances	143,194
GAAP basis	\$ 1,813,868

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 unclaimed monies fund, the recreation trust fund and the municipal income tax fund.

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2021.

**B. Litigation**

The City is a party to several legal proceedings seeking damages or injunctive relief generally incidental to its operations. The City management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material adverse effect, if any, on the financial condition of the City.

**NOTE 19 - OTHER COMMITMENTS**

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances (not already included in payables) in the governmental funds were as follows:

	<u>Year-End Encumbrances</u>
<u>Fund</u>	
General fund	\$ 141,501
Capital improvement	1,085,209
Other governmental	745,295
Total	\$ 1,972,005

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

**NOTE 20 - TAX ABATEMENTS**

As of December 31, 2021, the City provides tax abatements through two programs: Community Reinvestment Area (CRA) and Enterprise Zone (Ezone). These programs relate to the abatement of property taxes.

CRA - 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.

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the "Agreement") with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business's property tax bill.

The City has entered into agreements to abate property taxes through these programs. During 2021, the City's property tax revenues were reduced as a result of these agreements as follows:

<u>Tax Abatement Program</u>	<u>City Taxes Abated</u>
CRA	\$ 14,167
Ezone	<u>12,823</u>
Total	<u>\$ 26,990</u>

**NOTE 21 - SPECIAL ITEM**

The City reports a due from other governments receivable related to a special item that began in 2018 for grants and expenses related to the removal of the Ballville dam (the "Dam"). The City received a \$2 million U.S. Fish and Wildlife grant to assist with the removal costs. The remaining costs are financed through participation in the Water Resource Restoration Sponsor Program (WRRSP). The Ohio Environmental Protection Agency (Ohio EPA), in conjunction with the Ohio Water Development Authority (OWDA), administers the Water Pollution Control Loan Fund (WPCLF) and the Water Supply Revolving Loan Account (WSRLA). The WRRSP advances interest monies from the WPCLF sponsor projects to fund preservation and restoration of the state's water resources. In conjunction with the WRRSP, the City has reported a \$3,926,167 due from other governments receivable in both the Water fund and business-type activities related to reimbursable costs incurred by the City during 2021 and prior years and scheduled for reimbursement in 2021. The City did not report any new activity for 2021 related to the receivable or expenses incurred.

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

**NOTE 22 - 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	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Materials and supplies inventory	\$ -	\$ -	\$ 219,136	\$ 219,136
Prepayments	58,170	-	8,564	66,734
Total nonspendable	<u>58,170</u>	<u>-</u>	<u>227,700</u>	<u>285,870</u>
Restricted:				
Debt service	-	-	217,193	217,193
Transporation projects	-	-	994,250	994,250
Court projects	-	-	538,244	538,244
Revolving loans	-	-	360,545	360,545
R.L. Walsh trust	-	-	791,182	791,182
Other purposes	-	-	480,614	480,614
Total restricted	<u>-</u>	<u>-</u>	<u>3,382,028</u>	<u>3,382,028</u>
Committed:				
Capital projects	-	1,966,068	623,792	2,589,860
Recreation	-	-	134,531	134,531
Municipal income tax	6,160,891	-	-	6,160,891
Total committed	<u>6,160,891</u>	<u>1,966,068</u>	<u>758,323</u>	<u>8,885,282</u>
Assigned:				
General government	37,327	-	-	37,327
Securities of persons and property	48,567	-	-	48,567
Public health and welfare	704	-	-	704
Community environment	11,379	-	-	11,379
Leisure time activities	7,456	-	-	7,456
Economic environment	113	-	-	113
Recreation trust	17,949	-	-	17,949
Subsequent year appropriations	1,339,380	-	-	1,339,380
Debt service	-	-	171,338	171,338
Total assigned	<u>1,462,875</u>	<u>-</u>	<u>171,338</u>	<u>1,634,213</u>
Unassigned (deficit)	<u>2,082,058</u>	<u>-</u>	<u>(145,883)</u>	<u>1,936,175</u>
Total fund balances	<u>\$ 9,763,994</u>	<u>\$ 1,966,068</u>	<u>\$ 4,393,506</u>	<u>\$ 16,123,568</u>

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

**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 will 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 – JOINTLY GOVERNED ORGANIZATION**

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collecting income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2021, the City paid RITA \$137,599 for income tax collection services.



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**CITY OF FREMONT  
SANDUSKY COUNTY**

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	0.042174%	0.042781%	0.043960%	0.043295%
City's proportionate share of the net pension liability	\$ 6,245,050	\$ 8,455,955	\$ 12,039,753	\$ 6,792,146
City's covered payroll	\$ 5,922,136	\$ 6,005,021	\$ 5,922,321	\$ 5,707,331
City's proportionate share of the net pension liability as a percentage of its covered payroll	105.45%	140.81%	203.29%	119.01%
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	0.015784%	0.009177%	0.013636%	0.015831%
City's proportionate share of the net pension asset	\$ 45,563	\$ 19,136	\$ 15,248	\$ 21,551
City's covered payroll	\$ 69,564	\$ 40,850	\$ 58,321	\$ 64,838
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	0.001691%	0.001717%	0.005819%	0.011238%
City's proportionate share of the net pension asset	\$ 308	\$ 65	\$ 133	\$ 392
City's covered payroll	\$ 10,160	\$ 10,210	\$ 33,270	\$ 60,760
City's proportionate share of the net pension asset as a percentage of its covered payroll	3.03%	0.64%	0.40%	0.65%
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

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	0.042366%	0.042701%	0.042375%	0.042375%
\$	9,620,598	\$ 7,396,351	\$ 5,110,899	\$ 4,995,460
\$	5,385,900	\$ 5,227,550	\$ 5,606,342	\$ 5,080,531
	178.63%	141.49%	91.16%	98.33%
	77.25%	81.08%	86.45%	86.36%
	0.013653%	0.024830%	0.023261%	0.023261%
\$	7,599	\$ 12,083	\$ 8,956	\$ 2,441
\$	90,375	\$ 81,633	\$ 85,025	\$ 92,938
	8.41%	14.80%	10.53%	2.63%
	116.55%	116.90%	114.83%	104.56%
	0.011047%	0.030099%	n/a	n/a
\$	46	\$ 115	n/a	n/a
\$	103,158	\$ 94,308	n/a	n/a
	0.04%	0.12%	n/a	n/a
	103.40%	103.91%	n/a	n/a

**CITY OF FREMONT  
SANDUSKY COUNTY**

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	0.15112960%	0.15094950%	0.15282200%	0.15078500%
City's proportionate share of the net pension liability	\$ 10,302,640	\$ 10,168,765	\$ 12,474,313	\$ 9,254,387
City's covered payroll	\$ 3,755,133	\$ 3,611,861	\$ 3,506,114	\$ 3,308,080
City's proportionate share of the net pension liability as a percentage of its covered payroll	274.36%	281.54%	355.79%	279.75%
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

<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.15314500%	0.16453700%	0.16301960%	0.16301960%
\$ 9,700,058	\$ 10,584,777	\$ 8,445,095	\$ 7,939,566
\$ 3,309,112	\$ 3,244,724	\$ 3,529,882	\$ 3,208,481
293.13%	326.22%	239.25%	247.46%
68.36%	66.77%	72.20%	73.00%

**CITY OF FREMONT  
SANDUSKY COUNTY**

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	\$ 927,472	\$ 829,099	\$ 840,703	\$ 829,125
Contributions in relation to the contractually required contribution	<u>(927,472)</u>	<u>(829,099)</u>	<u>(840,703)</u>	<u>(829,125)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 6,624,800	\$ 5,922,136	\$ 6,005,021	\$ 5,922,321
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 10,352	\$ 9,739	\$ 5,719	\$ 8,165
Contributions in relation to the contractually required contribution	<u>(10,352)</u>	<u>(9,739)</u>	<u>(5,719)</u>	<u>(8,165)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 73,943	\$ 69,564	\$ 40,850	\$ 58,321
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 6,453	\$ 1,016	\$ 1,021	\$ 3,327
Contributions in relation to the contractually required contribution	<u>(6,453)</u>	<u>(1,016)</u>	<u>(1,021)</u>	<u>(3,327)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 64,530	\$ 10,160	\$ 10,210	\$ 33,270
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	10.00%

Note: Information prior to 2015 was unavailable for the Member Directed Plan. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 741,953	\$ 646,308	\$ 627,306	\$ 672,761	\$ 660,469	\$ 504,556
<u>(741,953)</u>	<u>(646,308)</u>	<u>(627,306)</u>	<u>(672,761)</u>	<u>(660,469)</u>	<u>(504,556)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,707,331	\$ 5,385,900	\$ 5,227,550	\$ 5,606,342	\$ 5,080,531	\$ 5,045,560
13.00%	12.00%	12.00%	12.00%	13.00%	10.00%
\$ 8,429	\$ 10,845	\$ 9,796	\$ 10,203	\$ 12,082	\$ 6,924
<u>(8,429)</u>	<u>(10,845)</u>	<u>(9,796)</u>	<u>(10,203)</u>	<u>(12,082)</u>	<u>(6,924)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 64,838	\$ 90,375	\$ 81,633	\$ 85,025	\$ 92,938	\$ 87,094
13.00%	12.00%	12.00%	12.00%	13.00%	7.95%
\$ 6,076	\$ 12,379	\$ 11,317			
<u>(6,076)</u>	<u>(12,379)</u>	<u>(11,317)</u>			
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
\$ 60,760	\$ 103,158	\$ 94,308			
10.00%	12.00%	12.00%			

**CITY OF FREMONT  
SANDUSKY COUNTY**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<i>Police:</i>				
Contractually required contribution	\$ 476,121	\$ 409,641	\$ 389,916	\$ 382,131
Contributions in relation to the contractually required contribution	(476,121)	(409,641)	(389,916)	(382,131)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 2,505,900	\$ 2,156,005	\$ 2,052,189	\$ 2,011,216
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
 <i>Fire:</i>				
Contractually required contribution	\$ 422,155	\$ 375,795	\$ 366,523	\$ 351,301
Contributions in relation to the contractually required contribution	(422,155)	(375,795)	(366,523)	(351,301)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,796,404	\$ 1,599,128	\$ 1,559,672	\$ 1,494,898
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>
\$ 348,117	\$ 347,013	\$ 348,937	\$ 374,445	\$ 287,288	\$ 248,290
<u>(348,117)</u>	<u>(347,013)</u>	<u>(348,937)</u>	<u>(374,445)</u>	<u>(287,288)</u>	<u>(248,290)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,832,195	\$ 1,826,384	\$ 1,836,511	\$ 1,970,763	\$ 1,808,739	\$ 1,947,373
19.00%	19.00%	19.00%	19.00%	15.88%	12.75%
\$ 346,833	\$ 348,441	\$ 330,930	\$ 366,393	\$ 285,314	\$ 246,301
<u>(346,833)</u>	<u>(348,441)</u>	<u>(330,930)</u>	<u>(366,393)</u>	<u>(285,314)</u>	<u>(246,301)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,475,885	\$ 1,482,728	\$ 1,408,213	\$ 1,559,119	\$ 1,399,742	\$ 1,427,832
23.50%	23.50%	23.50%	23.50%	20.38%	17.25%

**CITY OF FREMONT  
SANDUSKY COUNTY**

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>
City's proportion of the net OPEB liability/asset	0.039803%	0.040179%	0.041567%	0.041290%
City's proportionate share of the net OPEB liability/(asset)	\$ (709,122)	\$ 5,549,764	\$ 5,419,356	\$ 4,483,790
City's covered payroll	\$ 6,001,860	\$ 6,056,081	\$ 6,013,912	\$ 5,832,929
City's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	11.82%	91.64%	90.11%	76.87%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	115.57%	47.80%	46.33%	54.14%

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

2017

0.040286%

\$ 4,069,016

\$ 5,579,433

72.93%

54.05%

**CITY OF FREMONT  
SANDUSKY COUNTY**

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>
City's proportion of the net OPEB liability	0.15112960%	0.15094950%	0.15282200%	0.15078500%
City's proportionate share of the net OPEB liability	\$ 1,601,243	\$ 1,491,038	\$ 1,391,679	\$ 8,543,289
City's covered payroll	\$ 3,755,133	\$ 3,611,861	\$ 3,506,114	\$ 3,308,080
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	42.64%	41.28%	39.69%	258.26%
Plan fiduciary net position as a percentage of the total OPEB liability	45.42%	47.08%	46.57%	14.13%

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

**2017**

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0.15314500%

\$ 7,269,449

\$ 3,309,112

219.68%

15.96%

**CITY OF FREMONT  
SANDUSKY COUNTY**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	2021	2020	2019	2018
Contractually required contribution	\$ 2,581	\$ 406	\$ 408	\$ 1,331
Contributions in relation to the contractually required contribution	(2,581)	(406)	(408)	(1,331)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 6,763,273	\$ 6,001,860	\$ 6,056,081	\$ 6,013,912
Contributions as a percentage of covered payroll	0.04%	0.01%	0.01%	0.02%

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>
\$ 60,152	\$ 115,389	\$ 106,184	\$ 105,230	\$ 51,735	\$ 207,077
<u>(60,152)</u>	<u>(115,389)</u>	<u>(106,184)</u>	<u>(105,230)</u>	<u>(51,735)</u>	<u>(207,077)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,832,929	\$ 5,579,433	\$ 5,403,491	\$ 5,691,367	\$ 5,173,469	\$ 5,132,654
1.03%	2.07%	1.97%	1.85%	1.00%	4.03%

**CITY OF FREMONT  
SANDUSKY COUNTY**

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	\$ 12,530	\$ 10,780	\$ 10,261	\$ 10,056
Contributions in relation to the contractually required contribution	<u>(12,530)</u>	<u>(10,780)</u>	<u>(10,261)</u>	<u>(10,056)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,505,900	\$ 2,156,005	\$ 2,052,189	\$ 2,011,216
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%
<i>Fire:</i>				
Contractually required contribution	\$ 8,982	\$ 7,996	\$ 7,798	\$ 7,474
Contributions in relation to the contractually required contribution	<u>(8,982)</u>	<u>(7,996)</u>	<u>(7,798)</u>	<u>(7,474)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,796,404	\$ 1,599,128	\$ 1,559,672	\$ 1,494,898
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>
\$ 9,161	\$ 9,132	\$ 9,431	\$ 9,101	\$ 65,692	\$ 131,447
<u>(9,161)</u>	<u>(9,132)</u>	<u>(9,431)</u>	<u>(9,101)</u>	<u>(65,692)</u>	<u>(131,447)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,832,195	\$ 1,826,384	\$ 1,836,511	\$ 1,970,763	\$ 1,808,739	\$ 1,947,373
0.50%	0.50%	0.50%	0.50%	3.62%	6.75%
\$ 7,379	\$ 7,414	\$ 7,041	\$ 7,155	\$ 50,724	\$ 96,379
<u>(7,379)</u>	<u>(7,414)</u>	<u>(7,041)</u>	<u>(7,155)</u>	<u>(50,724)</u>	<u>(96,379)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,475,885	\$ 1,482,728	\$ 1,408,213	\$ 1,559,119	\$ 1,399,742	\$ 1,427,832
0.50%	0.50%	0.50%	0.50%	3.62%	6.75%

**CITY OF FREMONT  
SANDUSKY COUNTY**

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

PENSION

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*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 FREMONT  
SANDUSKY COUNTY**

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*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 not reflected in the current year financial statements, however, they 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 for 2020.

*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 FREMONT  
SANDUSKY COUNTY**

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

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal AL Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	A-F-19-2BP-1	\$ 133,260
CDBG Revolving Loan Fund	14.228	n/a	340
Total Community Development Block Grants			<u>133,600</u>
Total U.S. Department of Housing and Urban Development			<u><b>133,600</b></u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>Passed Through Ohio Office of Criminal Justice Services</i>			
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	2020-CE-CTF-2051	58,022
<i>Direct Assistance</i>			
Equitable Sharing Program	16.922	OH0720300	3,497
Total U.S. Department of Justice			<u><b>61,519</b></u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	PID#108239	406,035
Highway Planning and Construction	20.205	PID#106398	55,545
Highway Planning and Construction	20.205	PID#108631	128,633
Total Highway Planning and Construction Cluster			<u>590,213</u>
Total U.S. Department of Transportation			<u><b>590,213</b></u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 785,332</b></u>

*The accompanying notes are an integral part of this schedule.*

**CITY OF FREMONT  
SANDUSKY 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 Fremont, Sandusky County, Ohio (the City) 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 Uniform Guidance 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 – 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.

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# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
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(800) 282-0370

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

City of Fremont  
Sandusky County  
323 South Front Street  
Fremont, Ohio 43420-3037

To 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 Fremont, Sandusky 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 and have issued our report thereon dated August 26, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures, which may 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

August 26, 2022



# OHIO AUDITOR OF STATE KEITH FABER



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## 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 Fremont  
Sandusky County  
323 South Front Street  
Fremont, Ohio 43420-3037

To the City Council:

### **Report on Compliance for the Major Federal Program**

#### ***Opinion on the Major Federal Program***

We have audited the City of Fremont, Sandusky County, Ohio'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 Fremont's major federal program for the year ended December 31, 2021. The City of Fremont'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 Fremont 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

August 26, 2022

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**CITY OF FREMONT  
SANDUSKY COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF FREMONT  
SANDUSKY 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 9/13/2022**

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](http://www.ohioauditor.gov)