# CITY OF ST. MARYS
AUGLAIZE COUNTY, OHIO

SINGLE AUDIT

FOR THE YEAR ENDED
DECEMBER 31, 2021

Julian & Grube
Serving Ohio Local Governments

OHIO AUDITOR OF STATE
KEITH FABER

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City Council
City of St. Marys
101 East Spring Street
St. Marys, Ohio 45885

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

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

Keith Faber
Auditor of State
Columbus, Ohio

November 15, 2022

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**CITY OF ST. MARYS**
**AUGLAIZE COUNTY, OHO**

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# Independent Auditor's Report

City of St. Marys
Auglaize County
101 East Spring Street
St. Marys, OH 45885

To the Members of the City Council and Mayor:

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of St. Marys, Auglaize County, Ohio, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of St. Marys' basic financial statements as listed in the table of contents.

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

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City of St. Marys 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 described in Note 28 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City of St. Marys. Our opinions are not modified with respect to 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 of St. Marys' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of St. Marys' 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 of St. Marys' 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, schedules of net pension and other postemployment benefit assets and liabilities and pension and other postemployment benefit contributions listed in the table of contents 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 GAAS, 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 of St. Marys' basic financial statements. The accompanying Schedule of Expenditures of Federal Awards ("the Schedule"), 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2022 on our consideration of the City of St. Marys' internal control over financial reporting and on 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 of St. Marys' 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 of St. Marys' internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
September 27, 2022

**CITY OF ST. MARYS**
**AUGLAIZE COUNTY**

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

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

**Financial Highlights**

Key financial highlights for 2021 are as follows:

- The total net position of the City increased $4,740,009 from 2020. Net position of governmental activities increased $2,289,919 or 9.10% from 2020, and net position of business-type activities increased $2,450,090 or 5.23% from 2020.

- General revenues accounted for $6,921,733 or 68.94% of total governmental activities revenue. Program specific revenues accounted for $3,118,688 or 31.06% of total governmental activities revenues of $10,040,421.

- The City had $7,933,491 in expenses related to governmental activities; $3,118,688 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of $4,814,803 were offset by general revenues (primarily property taxes, kilowatt per hour taxes, income taxes, and unrestricted grants and entitlements) of $6,921,733. The governmental activities also had transfers totaling $182,989.

- The City's two major governmental funds included the general fund and the capital improvement fund. The general fund had revenues and other financing sources of $5,833,926 in 2021. The expenditures and other financing uses of the general fund totaled $8,479,065 in 2021. The general fund's decrease in nonspendable inventory totaled $17,012 in 2021. The net decrease in fund balance for the general fund was $2,645,139 or 63.68%. This decrease was primarily the result of the City purchasing $2,808,261 in land additions out of the general fund during 2021 that were funded through interfund loans from the electric fund and refuse fund (a nonmajor enterprise fund).

- The capital improvement fund had revenues and other financing sources of $2,504,615 in 2021. The expenditures of the capital improvement fund totaled $2,146,640 in 2021. The net increase in fund balance for the capital improvement fund was $357,975 or 19.54%.

- In the general fund, the actual revenues and other financing sources of $8,716,196 were $107,994 greater than the final budgeted revenues and other financing sources of $8,608,202. Original budgeted revenues and other financing sources of $4,958,202 were increased by $3,650,000 for the final budgeted amounts. Actual expenditures and other financing uses of $9,292,891 were $852,975 less than the final budgeted expenditures and other financing uses of $10,145,866. Original budgeted expenditures and other financing uses of $6,606,836 were increase by $3,539,030 for the final budgeted amounts. These variances are the result of the City's conservative budgeting.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the 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 whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

**Reporting the City as a Whole**

***Statement of Net Position and the Statement of Activities***

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

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

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

*Governmental Activities* - Most of the City's programs and services are reported here including police, fire, street and highway maintenance, capital improvements, community and economic development, 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, sewer, electric, and refuse operations are reported here.

The City's statement of net position and statement of activities can be found on pages 21-24 of this report.

**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 the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 13.

***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. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's only major governmental funds are the general fund and the capital improvement fund. Information for major fund 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. The basic governmental fund financial statements can be found on pages 25-29 of this report.

***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, sewer, electric, and refuse functions. All of the City's enterprise funds are considered major funds, with the exception of the refuse fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 31-38 of this report.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Custodial funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on pages 39-40 of this report.

***Notes to the Basic Financial Statements***

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 42-101 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability/asset and net OPEB liability/asset. The required supplementary information can be found on pages 103-120 of this report.

**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 for 2021 compared to 2020.

**Net Position**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Assets | | | | | | |
| Current and other assets | $ 9,772,946 | $ 11,158,594 | $ 16,395,411 | $ 15,575,734 | $ 26,168,357 | $ 26,734,328 |
| Capital assets, net | 28,911,510 | 24,827,084 | 67,276,062 | 69,898,761 | 96,187,572 | 94,725,845 |
| Total assets | 38,684,456 | 35,985,678 | 83,671,473 | 85,474,495 | 122,355,929 | 121,460,173 |
| Deferred outflows of resources | | | | | | |
| Pension | 1,011,122 | 1,050,809 | 345,177 | 501,479 | 1,356,299 | 1,552,288 |
| OPEB | 591,581 | 686,920 | 136,196 | 352,543 | 727,777 | 1,039,463 |
| Total deferred outflows of resources | 1,602,703 | 1,737,729 | 481,373 | 854,022 | 2,084,076 | 2,591,751 |
| Liabilities | | | | | | |
| Other liabilities | 780,567 | 329,105 | 1,885,965 | 1,944,336 | 2,666,532 | 2,273,441 |
| Long-term liabilies: | | | | | | |
| Due within one year | 113,702 | 123,695 | 1,894,850 | 1,238,008 | 2,008,552 | 1,361,703 |
| Net pension liability | 6,826,390 | 7,296,652 | 2,240,230 | 3,109,570 | 9,066,620 | 10,406,222 |
| Net OPEB liability | 827,289 | 2,109,106 | - | 2,115,100 | 827,289 | 4,224,206 |
| Other amounts | 1,556,930 | 354,613 | 26,882,258 | 29,942,873 | 28,439,188 | 30,297,486 |
| Total liabilities | 10,104,878 | 10,213,171 | 32,903,303 | 38,349,887 | 43,008,181 | 48,563,058 |
| Deferred Inflows of Resources | | | | | | |
| Property taxes | 440,785 | 444,752 | - | - | 440,785 | 444,752 |
| Pension | 1,362,478 | 1,303,941 | 1,078,523 | 755,313 | 2,441,001 | 2,059,254 |
| OPEB | 922,564 | 595,008 | 850,174 | 352,561 | 1,772,738 | 947,569 |
| Total deferred inflows of resources | 2,725,827 | 2,343,701 | 1,928,697 | 1,107,874 | 4,654,524 | 3,451,575 |
| Net Position | | | | | | |
| Net investment in capital assets | 28,631,212 | 24,688,967 | 40,604,961 | 41,099,196 | 69,236,173 | 65,788,163 |
| Restricted | 4,532,808 | 2,265,045 | - | - | 4,532,808 | 2,265,045 |
| Unrestricted (deficit) | (5,707,566) | (1,787,477) | 8,715,885 | 5,771,560 | 3,008,319 | 3,984,083 |
| Total net position | $ 27,456,454 | $ 25,166,535 | $ 49,320,846 | $ 46,870,756 | $ 76,777,300 | $ 72,037,291 |

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

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

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

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

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

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

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

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability/asset and net OPEB liability/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 of resources exceeded liabilities and deferred inflows of resources by $76,777,300. At year end, net position was $27,456,454 and $49,320,846 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year end, capital assets represented 78.61% of total assets. Capital assets include land, construction in progress, easements, land improvements, buildings and improvements, equipment and furniture, vehicles, and infrastructure, and totaled $28,911,510 and $67,276,062 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 net investment in capital assets is reported net of related long-term obligations, it should be noted that the resources to repay 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, $4,532,808, 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 ($5,707,566).

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

**Changes in Net Position**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **Revenues** | | | | | | |
| Program revenues: | | | | | | |
| Charges for services and sales | $ 1,136,582 | $ 925,869 | $ 25,672,664 | $ 24,840,089 | $ 26,809,246 | $ 25,765,958 |
| Operating grants and contributions | 891,670 | 1,494,623 | - | - | 891,670 | 1,494,623 |
| Capital grants and contributions | 1,090,436 | 239,402 | 553,929 | 34,020 | 1,644,365 | 273,422 |
| Total program revenues | 3,118,688 | 2,659,894 | 26,226,593 | 24,874,109 | 29,345,281 | 27,534,003 |
| General revenues: | | | | | | |
| Property taxes | 437,655 | 315,152 | - | - | 437,655 | 315,152 |
| Income taxes | 5,104,945 | 4,257,563 | - | - | 5,104,945 | 4,257,563 |
| Kilowatt per hour taxes | 707,630 | 769,412 | - | - | 707,630 | 769,412 |
| Grants and entitlements not restricted | 355,715 | 307,469 | 27,055 | 27,250 | 382,770 | 334,719 |
| Permissive motor vehicle license tax | 52,213 | 43,565 | - | - | 52,213 | 43,565 |
| Investment earnings | 137,528 | 189,402 | 6,675 | 21,635 | 144,203 | 211,037 |
| Change in fair value of investments | (117,293) | 99,151 | - | - | (117,293) | 99,151 |
| Gain on sale of assets | - | 18,339 | - | - | - | 18,339 |
| Miscellaneous | 243,340 | 501,076 | 299,331 | 452,082 | 542,671 | 953,158 |
| Total general revenues | 6,921,733 | 6,501,129 | 333,061 | 500,967 | 7,254,794 | 7,002,096 |
| Total revenues | 10,040,421 | 9,161,023 | 26,559,654 | 25,375,076 | 36,600,075 | 34,536,099 |

- Continued

**Changes in Net Position (Continued)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **Expenses** | | | | | | |
| General government | 874,569 | 1,509,163 | - | - | 874,569 | 1,509,163 |
| Security of persons and property | 4,523,513 | 5,122,572 | - | - | 4,523,513 | 5,122,572 |
| Public health and welfare | 20,786 | 781,494 | - | - | 20,786 | 781,494 |
| Transportation | 2,023,318 | 2,634,994 | - | - | 2,023,318 | 2,634,994 |
| Community environment | 31,154 | 265,183 | - | - | 31,154 | 265,183 |
| Leisure time activity | 450,010 | 384,035 | - | - | 450,010 | 384,035 |
| Interest and fiscal charges | 10,141 | 3,722 | - | - | 10,141 | 3,722 |
| Water | - | - | 2,428,880 | 2,610,356 | 2,428,880 | 2,610,356 |
| Sewer | - | - | 2,087,689 | 2,777,214 | 2,087,689 | 2,777,214 |
| Electric | - | - | 18,778,092 | 20,178,546 | 18,778,092 | 20,178,546 |
| Refuse | - | - | 631,914 | 928,566 | 631,914 | 928,566 |
| Total expenses | 7,933,491 | 10,701,163 | 23,926,575 | 26,494,682 | 31,860,066 | 37,195,845 |
| Increase (decrease) in net position before transfers and special items | 2,106,930 | (1,540,140) | 2,633,079 | (1,119,606) | 4,740,009 | (2,659,746) |
| Transfers | 182,989 | (73,920) | (182,989) | 73,920 | - | - |
| Change in net position | 2,289,919 | (1,614,060) | 2,450,090 | (1,045,686) | 4,740,009 | (2,659,746) |
| Net position at beginning of year | 25,166,535 | 26,780,595 | 46,870,756 | 47,916,442 | 72,037,291 | 74,697,037 |
| Net position at end of year | $ 27,456,454 | $ 25,166,535 | $ 49,320,846 | $ 46,870,756 | $ 76,777,300 | $ 72,037,291 |

## Governmental Activities

Overall, governmental activities net position increased $2,289,919 in 2021. Expenses of the governmental activities decreased $2,767,672 or 25.86%. 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 ($1,023,192) in 2021 compared to $123,124 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 $4,523,513 of the total expenses of the City. These expenses were partially funded by $649,562 in direct charges to users for services.

Transportation expenses totaled $2,023,318 and were partially funded by $58,021 in direct charges to users for services, $736,407 in operating grants and contributions, and $313,548 in capital grants and contributions.

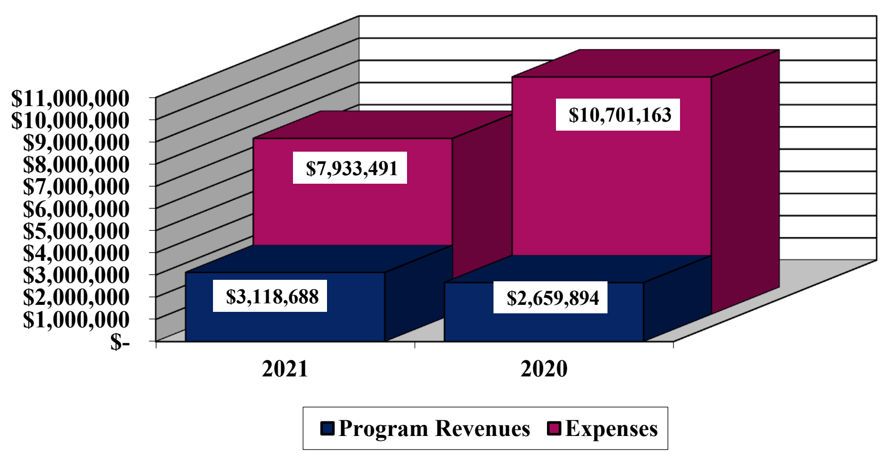
The State and federal government contributed to the City a total of $891,670 in operating grants and contributions and $1,090,436 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, $736,407 subsidized transportation programs, $145,757 subsidized for general government, $9,152 subsidized community environment expenses, and $354 subsidized for leisure time activity programs.

Operating grants and contribution decreased $602,953 due to the CARES Act grant monies the City received in 2020 being greater than the ARPA monies the City received in 2021 from the federal government in response to the COVID-19 pandemic. Of the total capital grants and contributions, $313,548 subsidized transportation programs and $776,888 subsidized community environment expenses. Capital grants and contributions increased $851,034 as a result of OPWC grants and FEMA property buyout grants received during 2021.

General revenues totaled $6,921,733 or 68.94% of total governmental activities revenues. These revenues primarily consist of property, income and kilowatt per hour tax revenue of $6,250,230. Another primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up $355,715 or 5.14% of the governmental activities general revenues.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following graph and table show, for governmental activities, the total cost of services and the net cost of services for 2021 and 2020. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements, and other general revenues. The graph below illustrates the City's dependence upon general revenues, as program revenues are not sufficient to cover total governmental expenses.

**Governmental Activities - Program Revenues vs. Total Expenses**



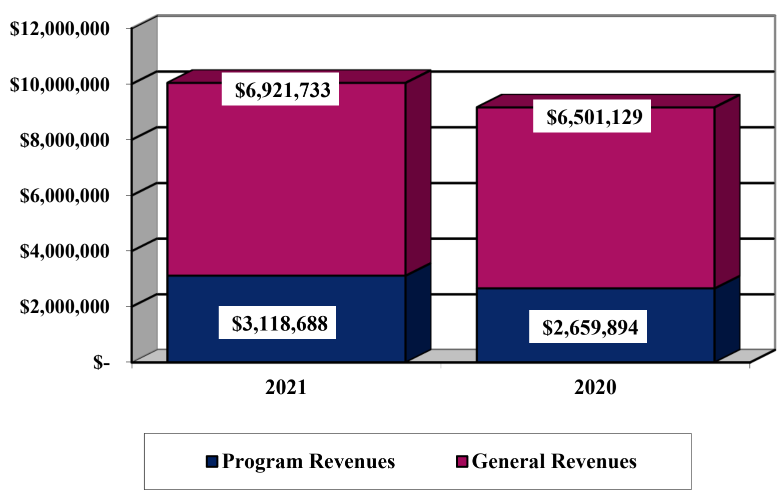
**Governmental Activities**

| | Total Cost of Services 2021 | Net Cost of Services 2021 | Total Cost of Services 2020 | Net Cost of Services 2020 |
|---|---|---|---|---|
| Program expenses: | | | | |
| General government | $ 874,569 | $ 492,046 | $ 1,509,163 | $ 1,297,938 |
| Security of persons and property | 4,523,513 | 3,873,951 | 5,122,572 | 4,354,459 |
| Public health and welfare | 20,786 | 17,043 | 781,494 | 134,194 |
| Transportation | 2,023,318 | 915,342 | 2,634,994 | 1,926,853 |
| Community environment | 31,154 | (758,462) | 265,183 | 113,602 |
| Leisure time activity | 450,010 | 264,742 | 384,035 | 210,501 |
| Interest and fiscal charges | 10,141 | 10,141 | 3,722 | 3,722 |
| Total expenses | $ 7,933,491 | $ 4,814,803 | $ 10,701,163 | $ 8,041,269 |

The dependence upon general revenues for governmental activities is apparent, with 60.69% of expenses supported through taxes and other general revenues.

The graph below illustrates the City's program revenues versus general revenues for 2021 and 2020.

**Governmental Activities - General and Program Revenues**

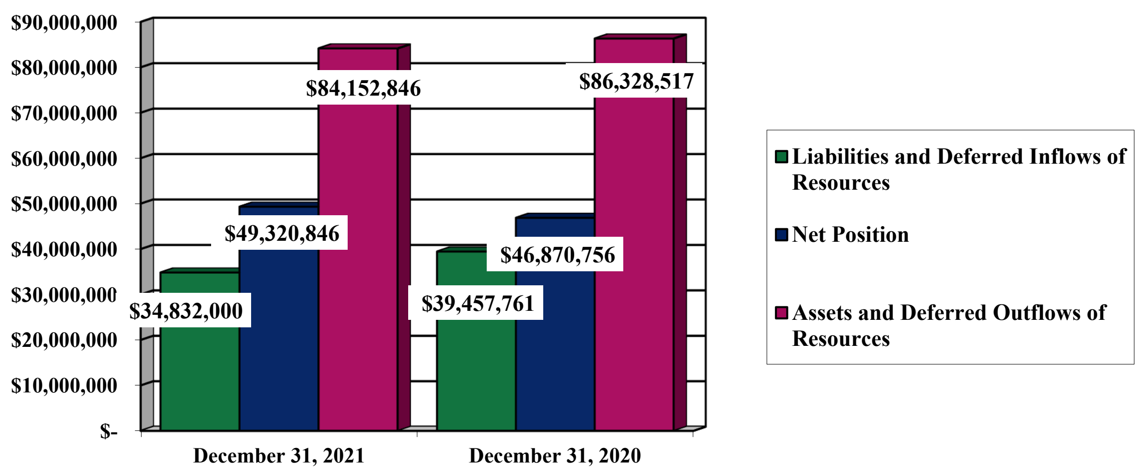



**Business-Type Activities**

Business-type activities include the water, sewer, electric, and refuse enterprise funds. These programs had program revenues of $26,226,593, general revenues of $333,061, transfers out of $182,989, and expenses of $23,926,575 for 2021. Overall, the operating activities of all the City's enterprise funds remained comparable to the prior year.

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

**Net Position of Business-Type Activities**




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

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

***Governmental Funds***

The focus of the City's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

The City's governmental funds reported a combined fund balance of $7,212,513, which is $2,021,215 less than last year's total of $9,233,728. The table below indicates the fund balances and the total change in fund balances as of December 31, 2021 and December 31, 2020 for all major and nonmajor governmental funds.

| | Fund Balances December 31, 2020 | Fund Balances December 31, 2020 | Change |
|---|---|---|---|
| Major fund: | | | |
| General | $ 1,518,532 | $ 4,180,683 | $ (2,662,151) |
| Capital improvement | 2,190,287 | 1,832,312 | 357,975 |
| Nonmajor governmental funds | 3,503,694 | 3,220,733 | 282,961 |
| Total | $ 7,212,513 | $ 9,233,728 | $ (2,021,215) |

***General Fund***

The City's general fund balance decreased $2,662,151. The table that follows assists in illustrating the revenues of the general fund for 2021 and 2020.

| | 2021 Amount | 2020 Amount | Percentage Change |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | $ 3,766,003 | $ 3,218,116 | 17.03 % |
| Charges for services | 795,263 | 694,514 | 14.51 % |
| Licenses and permits | 111,500 | 103,575 | 7.65 % |
| Fines and forfeitures | 34,930 | 20,721 | 68.57 % |
| Intergovernmental | 337,456 | 298,809 | 12.93 % |
| Investment income | 138,120 | 187,090 | (26.17) % |
| Change in fair value of investments | (117,293) | 99,151 | (218.30) % |
| Rental income | 102,739 | 66,489 | 54.52 % |
| Contributions and donations | 4,894 | 15,187 | (67.78) % |
| Other | 201,359 | 432,652 | (53.46) % |
| Total | $ 5,374,971 | $ 5,136,304 | 4.65 % |

Overall revenues of the general fund increased $238,667 or 4.65%. The fair value of investments and investment income decreased $216,444 and $48,970 or 218.30% and 26.17%, respectively, mainly due to a decrease in interest rates. Other revenue decreased $231,293 or 53.46% due to the City receiving large BWC dividends that were awarded by BWC as a response to the COVID-19 pandemic during 2020 that were not received during 2021. Charges for services, licenses and permits, and fines and forfeitures all increased during 2021 as a result of the City preforming more services due to the improving status of the COVID-19 pandemic. Taxes increased during 2021 primarily due an increase in income tax revenues. This was due to the COVID-19 pandemic. In response to the pandemic the income tax deadlines were extended and as a result revenues that would have been received in prior years were received in 2021. All other general fund revenues remained comparable to 2020.

The table that follows assists in illustrating the expenditures of the general fund for 2021 and 2020.

| | 2021 Amount | 2020 Amount | Percentage Change |
|---|---|---|---|
| **Expenditures** | | | |
| General government | $ 1,314,070 | $ 1,036,867 | 26.73 % |
| Security of persons and property | 3,359,825 | 2,864,506 | 17.29 % |
| Public health and welfare | 19,562 | 19,847 | (1.44) % |
| Community environment | 18,689 | 20,872 | (10.46) % |
| Leisure time activity | 488,658 | 334,757 | 45.97 % |
| Capital outlay | 2,808,261 | - | 100.00 % |
| Total | $ 8,009,065 | $ 4,276,849 | 87.27 % |

Overall expenditures of the general fund increased $3,732,216 or 87.27%. Capital outlay expenditures increased due to the City purchasing $2,808,261 in land additions out of the general fund during 2021 that were funded through interfund loans from the electric fund and refuse fund (a nonmajor enterprise fund). Leisure time activity expenses increased as a result of fewer activities taking place due to the COVID-19 pandemic during 2020 that increased during 2021. All other general fund expenditures remained comparable to the prior year.

***Budgeting Highlights - General Fund***

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

In the general fund, the actual revenues and other financing sources of $8,716,196 were $107,994 greater than the final budgeted revenues and other financing sources of $8,608,202. Original budgeted revenues and other financing sources of $4,958,202 were increased by $3,650,000 for the final budgeted amounts. Actual expenditures and other financing uses of $9,292,891 were $852,975 less than the final budgeted expenditures and other financing uses of $10,145,866. Original budgeted expenditures and other financing uses of $6,606,836 were increased by $3,539,030 for the final budgeted amounts. These variances are the result of the City's conservative budgeting. The large variance from original to final budgeted revenues and other financing sources and expenditures and other financing uses was due to the City increasing the budget to purchase large land additions out of the general fund that were funded through interfund loans from the electric fund and refuse fund (a nonmajor enterprise fund).

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

***Water Fund***

The water fund had operating revenues of $3,112,420 in 2021. The operating expenses of the water fund totaled $1,860,429 in 2021. The water fund had nonoperating revenues and expenses of $235 and $892,071, respectively, in 2021. The water fund also received $558,797 in capital contributions in 2021. The increase in net position for the water fund was $918,952 or 13.61%.

***Sewer Fund***

The sewer fund had operating revenues of $2,908,851 in 2021. The operating expenses of the sewer fund totaled $1,917,763 in 2021. The sewer fund had nonoperating revenues of $235 and nonoperating expenses of $208,366 in 2021. The sewer fund also received $175,783 in capital contributions in 2021. The increase in net position for the sewer fund was $958,740 or 10.30%.

***Electric Fund***

The electric fund had operating revenues of $18,928,638 in 2021. The operating expenses of the electric fund totaled $18,485,387 in 2021. The electric fund had nonoperating revenues of $33,062 and nonoperating expenses of $326,296 in 2021. The electric fund also received $10,711 in capital contributions in 2021. The increase in net position for the electric fund was $160,728 or 0.53%.

***Refuse Fund***

The refuse fund (a nonmajor enterprise fund) had operating revenues of $1,022,086 in 2021. The operating expenses of the refuse fund (a nonmajor enterprise fund) totaled $651,538 in 2021. The refuse fund (a nonmajor enterprise fund) had nonoperating revenues of $198 and nonoperating expenses of $5,164 in 2021. The increase in net position for the refuse fund (a nonmajor enterprise fund) was $365,582 or 116.96%.

## Capital Assets and Debt Administration

### *Capital Assets*

At the end of 2021, the City had $96,187,572 (net of accumulated depreciation) invested in land, construction in progress, easements, land improvements, buildings and improvements, equipment and furniture and infrastructure. Of this total, $28,911,510 was reported in governmental activities and $67,276,062 was reported in business-type activities.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land and easements | $ 7,266,440 | $ 3,923,972 | $ 1,243,560 | $ 1,243,560 | $ 8,510,000 | $ 5,167,532 |
| Construction in progress | 868,395 | 1,570,802 | 1,976,322 | 913,776 | 2,844,717 | 2,484,578 |
| Land improvements | 2,839,732 | 2,997,887 | 2,806,753 | 2,975,933 | 5,646,485 | 5,973,820 |
| Buildings and improvements | 4,166,880 | 2,441,241 | 28,061,646 | 29,031,098 | 32,228,526 | 31,472,339 |
| Equipment and furniture | 2,474,513 | 2,638,461 | 22,987,578 | 25,071,492 | 25,462,091 | 27,709,953 |
| Infrastructure | 11,295,550 | 11,254,721 | 10,200,203 | 10,662,902 | 21,495,753 | 21,917,623 |
| Total | $ 28,911,510 | $ 24,827,084 | $ 67,276,062 | $ 69,898,761 | $ 96,187,572 | $ 94,725,845 |

The City's largest governmental activities capital asset category is infrastructure, which includes roads, bridges, culverts, sidewalks, curbs, annexed roadways, street lighting, and traffic signals. 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 39.07% of the City's total governmental activities capital assets.

The City's largest business-type activities capital asset categories are buildings and improvements and infrastructure. The buildings and improvements asset category represents approximately 41.71% of the City's total business-type activities capital assets. Infrastructure items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 15.16% of the City's total business-type activities capital assets. Additional information on the City's capital assets can be found in Note 11.

### *Debt Administration*

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

| | Governmental Activities | |
|---|---|---|
| | 2021 | 2020 |
| Bond anticipation notes | $ 1,200,000 | $ - |
| Net pension liability | 6,826,390 | 7,296,652 |
| Net OPEB liability | 827,289 | 2,109,106 |
| Compensated absences | 470,632 | 478,308 |
| Total long-term obligations | $ 9,324,311 | $ 9,884,066 |

| | Business-type Activities | |
|---|---|---|
| Capital facilities bonds | $ 440,000 | $ 540,000 |
| Stranded cost liability | 470 | 153,810 |
| OWDA loans | 21,858,040 | 23,534,378 |
| OPWC loans | 276,461 | 299,665 |
| Landfill closure/postclosure liability | 1,743,489 | 1,901,528 |
| Electric system revenue bonds | 4,035,000 | 4,335,000 |
| Net pension liability | 2,240,230 | 3,109,570 |
| Net OPEB liability | - | 2,115,100 |
| Compensated absences | 423,648 | 416,500 |
| Total long-term obligations | $ 31,017,338 | $ 36,405,551 |

**Economic Conditions and Outlook**

The industrial base in the City has been greatly diversified over the past 30 years primarily due to the success of several Japanese companies that started production in the City during the late 1980s.

Setex was the first Japanese company to call the City its home when it started the production of automobile seats for Honda in 1988. For almost 30 years, Setex has experienced significant growth with employment levels increasing from the initial 65 employees to the current 520+ employees. Setex also increased production capacity significantly by first doubling the size of their initial plant and later constructing a new weld facility for the production of seat frames for a variety of automobiles. Setex currently produces about 7,000 frames per day. Setex continues to manage multiple lines for Honda. The company is adding employees for summer production and is currently evaluating future expansion opportunities.

In March, Kosei acquired the AAP St. Marys Corporation, a division of Hitachi Metals America Ltd., and renamed the company Kosei St. Marys. The company was established their aluminum wheel casting plant in the City in 1989. Kosei St. Marys has also experienced tremendous growth with employment levels increasing from the initial 65 employees to the current 600 employees. With product demand back to pre-recession levels, Kosei St. Marys is experiencing continued growth. The company is currently evaluating plans to expand. Kosei St. Marys is a key to the stability of the industrial base in the City.

Veyance Technologies, Inc., formerly the Goodyear Tire & Rubber Company, was acquired by the German company Continental AG in order to expand its share of the industrial rubber track market. The plant is now a part of the company's ContiTech industrial rubber track division. The primary product of the plant for many years has been rubber tracks and wheels for agricultural equipment. The company also makes industrial conveyor belts and rubber tank treads for use on U.S. Army battle tanks. The local plant currently employs approximately 400 and is still exploring the potential for major capital investments in machinery and equipment over the next few years.

The City has several other manufacturing facilities that add stability to the local economy. Parker Hannifin Corporation, a manufacturer of hydraulic cylinder components, employs approximately 100 employees in St. Marys.

The company constructed its 130,000± square-foot St. Marys facility in 2000 and has additional acreage on site for new growth.

Omni Manufacturing, Inc., a metal tooling and stamping plant, has enjoyed steady growth with an employment level near 140. The company completed construction of an addition to its existing plant in 2015 and is making significant investments in machinery and equipment. Omni continues to project job growth and is accepting applications for new hires.

Murotech Ohio's (MTO) employment has remained steady at 130 employees. The company has expanded its operations since locating in St. Marys and continues to plan for future investment in equipment. Murotech Ohio recently completed construction of an additional 15,000 square feet of space at its current facility.

Cargill, formerly Pro-Pet LLC, a manufacturer of premium pet food, operates a food-grade facility and is continually acquiring new clients. As a result, the company constructed a small addition in 2015 and continues to invest in new equipment to meet customer needs. There also are plans for potential future development.

The St. Marys Foundry recently completed an expansion project that will no doubt allow it to continue to prosper. The facility has called St. Marys home for decades and has plans to continue to grow.

Celina Tent recently opened an assembly facility in St. Marys that will allow the company to continue to meet growing global need for its products.

American Manufacturing Solutions continues to grow after moving into an old retail building. The company provides logistics and trucking services as well as offers electrical services to the region. They have been a welcome addition to the city.

The Joint Township District Memorial Hospital (JTDMH) remains the top non-manufacturing sector employer with approximately 750 employees. The hospital is considered a top health care facility in the United States and continues to improve services and upgrade the facility. JTDMH has invested significantly in the building during the past ten years including completion of a new Women's Center, Laboratory, Wound Care Center with two hyperbaric chambers, Neurology Center, and a Sleep Center. In 2015, JTDMH acquired additional land to accommodate future growth and is currently planning an expansion of patient rooms. The addition and renovation of 24 new ambulatory surgery rooms was completed in 2015, and the hospital is currently upgrading its operating rooms and surrounding areas, including significant investment in new, state-of-the-art equipment.

All of the industries in the city continue to remain in need of workers and are hiring. This indicates strong growth and expansion.

Retail growth was very strong in St. Marys in the recent past with construction of the Shoppes at St. Marys commercial development, which includes Kroger and Kohl's as anchor tenants and three developed commercial outlets. The St. Marys Square Business Complex has also shown strong growth during the past year.

The Community Improvement Corporation of St. Marys (CIC) was very active in the downtown. The CIC continues to improve and lease other commercial space in the downtown area. The CIC sees itself as the real estate arm for the city.

The diversity of the manufacturing, retail, and service sectors bode well for the economy of the City. If there is an occasional downturn in one individual industry, the City's diverse employment opportunities should be strong enough to withstand any economic challenges that occur.

The downtown continues to be a point of focus for the city. Through the downtown façade improvement program, the city offers a matching grant program to property owners who want to fix up their downtown properties. This program has been met with great success as the downtown has improved.

The City also continues to market a greenfield site to potential end users. The City has a 32-acre site along McKinley Road that is in close proximity to U.S. 33. This site would be excellent for a small to medium sized operation.

**For the Future**

The City is a beautiful community located in west-central Ohio, midway between Cincinnati and Toledo, and about 20 miles east of the Indiana state line. Only 10 miles to the east is Interstate 75, one of the nation's busiest north-south highways. The City offers a lovely rural setting right in the heart of industrial America. Several major metropolitan areas including Columbus, Dayton, Toledo, and Ft. Wayne are within easy commuting distance. Almost two-thirds of the nation's population lives within a 500-mile radius, making the City a natural location to conduct business.

The City has a diverse and prosperous business base and a population that understands the value of hard work. The fertile farmland and expanding tourism industry provide additional economic factors that add significantly to the City's economic prosperity.

The rich history of the City dates back to the early 1800's when "canal fever" swept over Ohio. It provided the City with the opportunity to become part of a canal system highway that would run from the Miami River to Lake Erie. After completion of the canal, Grand Lake St. Marys was completed in 1845 to help maintain the water levels in the canal. Grand Lake St. Marys is now a tourist area in Ohio, providing recreational opportunities such as boating and fishing for visitors and residents alike.
The City's future promises to be even brighter than its historic past. The City is a community of approximately 8,300 residents. The people embrace a lifestyle based on strong family values. Caring for and respecting neighbors is a way of life. The police, fire, and EMS forces offer hometown security only experienced in a rural setting such as the City's. Utility services offered by the City are some of the most reliable and economical in the entire region.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Douglas Riesen, City Auditor, City of St. Marys, 101 E. Spring Street, St. Marys, Ohio 45885.

# BASIC
# FINANCIAL STATEMENTS

**CITY OF ST. MARYS**
**AUGLAIZE COUNTY**

STATEMENT OF NET POSITION
DECEMBER 31, 2021

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Community Improvement Corporation of St. Marys |
| **Assets:** | | | | |
| Equity in pooled cash and investments | $ 7,996,042 | $ 10,014,049 | $ 18,010,091 | $ 87,304 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Income taxes | 1,005,735 | - | 1,005,735 | - |
| Real and other taxes | 448,438 | - | 448,438 | - |
| Kilowatt per hour taxes | - | 57,022 | 57,022 | |
| Accounts | 98,651 | 2,384,115 | 2,482,766 | - |
| Special assessments | 98,255 | 5,929 | 104,184 | - |
| Loans | 650,048 | 248,096 | 898,144 | - |
| Notes | 312,494 | - | 312,494 | 910 |
| Accrued interest | 19,291 | - | 19,291 | - |
| Internal balance | (2,358,032) | 2,358,032 | - | - |
| Due from other governments | 437,255 | 1,202 | 438,457 | - |
| Prepayments | 142,332 | 160,725 | 303,057 | - |
| Materials and supplies inventory | 193,392 | 424,059 | 617,451 | - |
| Net pension asset | 35,409 | 52,760 | 88,169 | - |
| Net OPEB asset | 177,856 | 265,010 | 442,866 | - |
| Land held for resale | 505,450 | - | 505,450 | - |
| Restricted assets: | | | | |
| Refundable cash deposits | - | 424,412 | 424,412 | - |
| Cash with fiscal agent | 10,330 | - | 10,330 | - |
| Capital assets: | | | | |
| Non-depreciable capital assets | 8,134,835 | 3,219,882 | 11,354,717 | 21,498 |
| Depreciable capital assets, net | 20,776,675 | 64,056,180 | 84,832,855 | 218,649 |
| Total capital assets, net | 28,911,510 | 67,276,062 | 96,187,572 | 240,147 |
| Total assets | 38,684,456 | 83,671,473 | 122,355,929 | 328,361 |
| **Deferred outflows of resources:** | | | | |
| Pension | 1,011,122 | 345,177 | 1,356,299 | - |
| OPEB | 591,581 | 136,196 | 727,777 | - |
| Total deferred outflows of resources | 1,602,703 | 481,373 | 2,084,076 | - |
| **Liabilities:** | | | | |
| Accounts payable | 63,914 | 1,289,685 | 1,353,599 | - |
| Contracts payable | 154,398 | 61,600 | 215,998 | - |
| Retainage payable | 31,412 | - | 31,412 | - |
| Accrued wages and benefits | 67,176 | 61,688 | 128,864 | - |
| Due to other governments | 67,565 | 20,526 | 88,091 | - |
| Deposits payable | 35,066 | - | 35,066 | - |
| Accrued interest payable | 7,444 | 12,410 | 19,854 | - |
| Payroll withholding payable | 1,965 | - | 1,965 | - |
| Notes payable | 70,000 | - | 70,000 | - |
| Unearned revenue | 281,627 | - | 281,627 | - |
| Investment in joint venture | - | 15,644 | 15,644 | - |
| Payable from restricted assets: | | | | |
| Refundable cash deposits | - | 424,412 | 424,412 | - |
| Long-term liabilities: | | | | |
| Due within one year | 113,702 | 1,894,850 | 2,008,552 | 22,212 |
| Due in more than one year: | | | | |
| Net pension liability | 6,826,390 | 2,240,230 | 9,066,620 | - |
| Net OPEB liability | 827,289 | - | 827,289 | - |
| Other long-term liabilities | 1,556,930 | 26,882,258 | 28,439,188 | 108,282 |
| Total liabilities | 10,104,878 | 32,903,303 | 43,008,181 | 130,494 |
| **Deferred inflows of resources:** | | | | |
| Property taxes levied for the next fiscal year | 440,785 | - | 440,785 | - |
| Pension | 1,362,478 | 1,078,523 | 2,441,001 | - |
| OPEB | 922,564 | 850,174 | 1,772,738 | - |
| Total deferred inflows of resources | 2,725,827 | 1,928,697 | 4,654,524 | - |

(Continued)

**CITY OF ST. MARYS**
**AUGLAIZE COUNTY**

STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2021

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | **Governmental Activities** | **Business-type Activities** | **Total** | **Community Improvement Corporation of St. Marys** |
| **Net position:** | | | | |
| Net investment in capital assets | 28,631,212 | 40,604,961 | 69,236,173 | 109,653 |
| Restricted for: | | | | |
| Capital projects | 2,163,091 | - | 2,163,091 | - |
| Debt service | 75,618 | - | 75,618 | - |
| Transportation projects | 1,241,353 | - | 1,241,353 | - |
| Community improvements | 1,037,153 | - | 1,037,153 | - |
| Other purposes | 15,593 | - | 15,593 | - |
| Unrestricted (deficit) | (5,707,566) | 8,715,885 | 3,008,319 | 88,214 |
| Total net position | $ 27,456,454 | $ 49,320,846 | $ 76,777,300 | $ 197,867 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS**
**AUGLAIZE COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

| | | Program Revenues | | |
|---|---|---|---|---|
| | **Expenses** | **Charges for Services and Sales** | **Operating Grants and Contributions** | **Capital Grants and Contributions** |
| **Governmental activities:** | | | | |
| General government | $ 874,569 | $ 236,766 | $ 145,757 | $ - |
| Security of persons and property | 4,523,513 | 649,562 | - | - |
| Public health and welfare | 20,786 | 3,743 | - | - |
| Transportation | 2,023,318 | 58,021 | 736,407 | 313,548 |
| Community environment | 31,154 | 3,576 | 9,152 | 776,888 |
| Leisure time activity | 450,010 | 184,914 | 354 | - |
| Interest and fiscal charges | 10,141 | - | - | - |
| Total governmental activities | 7,933,491 | 1,136,582 | 891,670 | 1,090,436 |
| **Business-type activities:** | | | | |
| Water | 2,428,880 | 3,028,133 | - | 545,772 |
| Sewer | 2,087,689 | 2,878,538 | - | 8,157 |
| Electric | 18,778,092 | 18,756,764 | - | - |
| Other busniess-type activities: | | | | |
| Refuse | 631,914 | 1,009,229 | - | - |
| Total business-type activities | 23,926,575 | 25,672,664 | - | 553,929 |
| Total primary government | $ 31,860,066 | $ 26,809,246 | $ 891,670 | $ 1,644,365 |
| **Component Unit:** | | | | |
| Community Improvement Corporation of St. Marys | $ 55,437 | $ 38,175 | $ 6,415 | $ - |

**General revenues:**
Property and other local taxes levied for:
General purposes
Special purposes
Income taxes levied for:
General purposes
Special purposes
Capital projects
Kilowatt per hour taxes levied for:
General purposes
Grants and entitlements not restricted to specific programs
Permissive motor vehicle license tax
Investment earnings
Change in fair value of investments
Miscellaneous
Total general revenues

Transfers

Total general revenues and transfers

Change in net position

**Net position at beginning of year**

**Net position at end of year**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|
| Primary Government | | | Component Unit |
| Governmental Activities | Business-type Activities | Total | Community Improvement Corporation of St. Marys |
| $ (492,046) | $ - | $ (492,046) | $ - |
| (3,873,951) | - | (3,873,951) | - |
| (17,043) | - | (17,043) | - |
| (915,342) | - | (915,342) | - |
| 758,462 | - | 758,462 | - |
| (264,742) | - | (264,742) | - |
| (10,141) | - | (10,141) | - |
| (4,814,803) | - | (4,814,803) | - |
| - | 1,145,025 | 1,145,025 | - |
| - | 799,006 | 799,006 | - |
| - | (21,328) | (21,328) | - |
| - | 377,315 | 377,315 | - |
| - | 2,300,018 | 2,300,018 | - |
| (4,814,803) | 2,300,018 | (2,514,785) | - |
| - | - | - | (10,847) |
| 355,390 | - | 355,390 | - |
| 82,265 | - | 82,265 | - |
| 2,795,448 | - | 2,795,448 | - |
| 532,390 | - | 532,390 | - |
| 1,777,107 | - | 1,777,107 | - |
| 707,630 | - | 707,630 | - |
| 355,715 | 27,055 | 382,770 | - |
| 52,213 | - | 52,213 | - |
| 137,528 | 6,675 | 144,203 | 30 |
| (117,293) | - | (117,293) | - |
| 243,340 | 299,331 | 542,671 | - |
| 6,921,733 | 333,061 | 7,254,794 | 30 |
| 182,989 | (182,989) | - | - |
| 7,104,722 | 150,072 | 7,254,794 | 30 |
| 2,289,919 | 2,450,090 | 4,740,009 | (10,817) |
| 25,166,535 | 46,870,756 | 72,037,291 | 208,684 |
| $ 27,456,454 | $ 49,320,846 | $ 76,777,300 | $ 197,867 |

**CITY OF ST. MARYS**
**AUGLAIZE COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

| | General | Capital Improvement | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Assets:** | | | | |
| Equity in pooled cash and investments | $ 3,432,682 | $ 1,427,266 | $ 3,109,696 | $ 7,969,644 |
| Receivables: | | | | |
| Income taxes | 482,754 | 67,082 | 455,899 | 1,005,735 |
| Real and other taxes | 361,179 | - | 87,259 | 448,438 |
| Accounts | 98,651 | - | - | 98,651 |
| Special assessments | - | - | 98,255 | 98,255 |
| Loans | - | - | 650,048 | 650,048 |
| Notes | - | 312,494 | - | 312,494 |
| Accrued interest | 19,286 | - | 5 | 19,291 |
| Due from other funds | 55,010 | - | - | 55,010 |
| Due from other governments | 135,665 | 3 | 301,561 | 437,229 |
| Prepayments | 112,345 | 156 | 28,540 | 141,041 |
| Materials and supplies inventory | 116,890 | - | 30,241 | 147,131 |
| Land held for resale | - | 505,450 | - | 505,450 |
| Restricted assets: | | | | |
| Cash with fiscal agent | - | - | 10,330 | 10,330 |
| Total assets | $ 4,814,462 | $ 2,312,451 | $ 4,771,834 | $ 11,898,747 |
| **Liabilities:** | | | | |
| Accounts payable | $ 26,341 | $ 7,210 | $ 6,533 | $ 40,084 |
| Contracts payable | - | 8,641 | 145,757 | 154,398 |
| Retainage payable | - | 31,412 | - | 31,412 |
| Accrued wages and benefits payable | 49,234 | 322 | 14,792 | 64,348 |
| Interfund loans payable | 2,366,045 | - | 49,515 | 2,415,560 |
| Due to other governments | 27,603 | 36,103 | 3,060 | 66,766 |
| Accrued interest payable | - | - | 379 | 379 |
| Payroll withholding payable | 1,965 | - | - | 1,965 |
| Unearned revenue | - | - | 281,627 | 281,627 |
| Deposits payable | 35,066 | - | - | 35,066 |
| Notes payable | - | - | 70,000 | 70,000 |
| Total liabilities | 2,506,254 | 83,688 | 571,663 | 3,161,605 |
| **Deferred inflows of resources:** | | | | |
| Property taxes levied for the next fiscal year | 357,910 | - | 82,875 | 440,785 |
| Income tax revenue not available | 276,892 | 38,476 | 261,489 | 576,857 |
| Delinquent property tax revenue not available | 3,269 | - | 721 | 3,990 |
| Accrued interest not available | 12,864 | - | - | 12,864 |
| Special assessments revenue not available | - | - | 98,255 | 98,255 |
| Intergovernmental revenue not available | 112,420 | - | 253,137 | 365,557 |
| Miscellaneous revenue not available | 10,476 | - | - | 10,476 |
| Ambulance revenue not available | 15,845 | - | - | 15,845 |
| Total deferred inflows of resources | 789,676 | 38,476 | 696,477 | 1,524,629 |
| **Fund balances:** | | | | |
| Nonspendable | 235,479 | 156 | 58,781 | 294,416 |
| Restricted | - | 1,200,000 | 3,465,567 | 4,665,567 |
| Committed | - | 990,131 | 25,468 | 1,015,599 |
| Assigned | 399,280 | - | - | 399,280 |
| Unassigned (deficit) | 883,773 | - | (46,122) | 837,651 |
| Total fund balances | 1,518,532 | 2,190,287 | 3,503,694 | 7,212,513 |
| Total liabilities, deferred inflows of resources and fund balances | $ 4,814,462 | $ 2,312,451 | $ 4,771,834 | $ 11,898,747 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS**
**AUGLAIZE COUNTY**

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

| | | |
|---|---|---|
| **Total governmental fund balances** | | $ 7,212,513 |
| *Amounts reported for governmental activities on the statement of net position are different because:* | | |
| Capital assets used in governmental activities are not financial resrouces and therefore are not reported in the funds. | | 28,911,510 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds. | | |
| Income taxes receivable | $ 576,857 | |
| Real and other taxes receivable | 3,990 | |
| Accounts receivable | 26,321 | |
| Special assessments receivable | 98,255 | |
| Accrued interest receivable | 12,864 | |
| Due from other governments | 365,557 | |
| Total | | 1,083,844 |
| The internal service fund is used by management to charge the costs of the maintenance garage to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position. The net position of the internal service fund, including an internal balance of $2,518 and ($74,107) for total net position of the internal service fund, is: | | (71,589) |
| 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, the liability and related deferred inflows/outflows are not reported in governmental funds. (Excludes internal service fund amounts) | | |
| Net pension asset | 33,088 | |
| Deferred outflows of resources | 981,420 | |
| Deferred inflows of resources | (1,319,173) | |
| Net pension liability | (6,727,841) | |
| Total | | (7,032,506) |
| The net OPEB liability is not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore the liability and related deferred inflows/outflows are not reported in governmental funds. (Excludes internal service fund amounts) | | |
| Net OPEB asset | 166,198 | |
| Deferred outflows of resources | 576,073 | |
| Deferred inflows of resources | (886,941) | |
| Net OPEB liability | (827,289) | |
| Total | | (971,959) |
| On the statement of net position interest is accrued on outstanding notes payable, where as in governmental funds, interest expenditures are accrued when due. | | (7,065) |
| Long-term liabilities (bond anticipation notes and compensated absences) are not due and payable in the current period and therefore are not reported in the funds. liabilities are as follows: | | |
| Bond anticipation notes payable | (1,200,000) | |
| Compensated absences payable | (468,294) | |
| Total | | (1,668,294) |
| **Net position of governmental activities** | | $ 27,456,454 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS**
**AUGLAIZE COUNTY**

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

| | General | Capital Improvement | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Income taxes | $ 2,702,772 | $ 282,901 | $ 1,926,198 | $ 4,911,871 |
| Real and other taxes | 355,601 | - | 134,537 | 490,138 |
| Kilowatt per hour taxes | 707,630 | - | - | 707,630 |
| Charges for services | 795,263 | - | 91,408 | 886,671 |
| Licenses and permits | 111,500 | - | - | 111,500 |
| Fines and forfeitures | 34,930 | - | 6,649 | 41,579 |
| Intergovernmental | 337,456 | 1,010,912 | 1,027,804 | 2,376,172 |
| Special assessments | - | - | 58,731 | 58,731 |
| Investment income | 138,120 | 1,701 | 9,425 | 149,246 |
| Change in fair value of investments | (117,293) | - | - | (117,293) |
| Rental income | 102,739 | 6,825 | - | 109,564 |
| Contributions and donations | 4,894 | - | - | 4,894 |
| Other | 201,359 | 2,276 | 58,339 | 261,974 |
| Total revenues | 5,374,971 | 1,304,615 | 3,313,091 | 9,992,677 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | 1,314,070 | - | 18,392 | 1,332,462 |
| Security of persons and property | 3,359,825 | - | 434,556 | 3,794,381 |
| Public health and welfare | 19,562 | - | - | 19,562 |
| Transportation | - | - | 1,223,947 | 1,223,947 |
| Community environment | 18,689 | - | 10,631 | 29,320 |
| Leisure time activity | 488,658 | - | 148,827 | 637,485 |
| Capital outlay | 2,808,261 | 2,146,640 | 1,607,516 | 6,562,417 |
| Debt service: | | | | |
| Interest and fiscal charges | - | - | 3,076 | 3,076 |
| Total expenditures | 8,009,065 | 2,146,640 | 3,446,945 | 13,602,650 |
| Excess of expenditures over revenues | (2,634,094) | (842,025) | (133,854) | (3,609,973) |
| **Other financing sources (uses):** | | | | |
| Note issuance | - | 1,200,000 | - | 1,200,000 |
| Sale of assets | 458,955 | - | 25,462 | 484,417 |
| Transfers in | - | - | 447,000 | 447,000 |
| Transfers out | (470,000) | - | (47,000) | (517,000) |
| Total other financing sources (uses) | (11,045) | 1,200,000 | 425,462 | 1,614,417 |
| Net change in fund balances | (2,645,139) | 357,975 | 291,608 | (1,995,556) |
| **Fund balances at beginning of year** | 4,180,683 | 1,832,312 | 3,220,733 | 9,233,728 |
| **Change in nonspendable inventory** | (17,012) | - | (8,647) | (25,659) |
| **Fund balances at end of year** | $ 1,518,532 | $ 2,190,287 | $ 3,503,694 | $ 7,212,513 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS**
**AUGLAIZE 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

| | | |
|---|---|---|
| **Net change in fund balances - total governmental funds** | | $ (1,995,556) |
| *Amounts reported for governmental activities in the statement of activities are different because:* | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. | | |
| Capital asset additions | $ 5,835,083 | |
| Current year depreciation | (2,079,991) | |
| Total | | 3,755,092 |
| Miscellaneous transactions involving capital assets (i.e. capital contributions, transfers, and disposals) are not reflected in the governmental funds, but had the following effect in the statement of activities: | | |
| Capital contributions from business type activities | 354,796 | |
| Disposals, net | (25,462) | |
| Total | | 329,334 |
| Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. | | (25,659) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Income taxes | 193,074 | |
| Real and other taxes | (270) | |
| Licenses and permits | (13,478) | |
| Charges for services | (50,450) | |
| Other revenue | (200) | |
| Special assessments | (7,535) | |
| Intergovernmental | (70,990) | |
| Investment income | (2,407) | |
| Total | | 47,744 |
| Proceeds of bond anticipation notes are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenue as they increase the liabilities on the statement of net position. | | (1,200,000) |
| In the statement of activities, interest is accrued on outstanding long-term liabilities, whereas in governmental funds, an interest expenditure is reported when due. | | (7,065) |
| Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports the amounts as deferred outflows. (Excludes internal service fund amounts.) | | |
| Pension | | 637,541 |
| OPEB | | 11,070 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities. (Excludes internal service fund amounts.) | | |
| Pension | | (251,365) |
| OPEB | | 962,362 |
| 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. | | 7,551 |
| The internal service fund used by management to charge the costs of the maintenance garage to individual funds is 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 activity of ($46,088) is allocated among the governmental activities. | | 18,870 |
| **Change in net position of governmental activities** | | $ 2,289,919 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS**
**AUGLAIZE 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

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| | **Original** | **Final** | **Actual** | |
| **Revenues:** | | | | |
| Income taxes | $ 2,418,016 | $ 2,599,752 | $ 2,696,778 | $ 97,026 |
| Real and other taxes | 331,474 | 355,439 | 355,601 | 162 |
| Kilowatt per hour taxes | 802,756 | 850,691 | 711,300 | (139,391) |
| Charges for services | 654,754 | 705,958 | 759,813 | 53,855 |
| Licenses, permits and fees | 107,858 | 114,484 | 98,325 | (16,159) |
| Fines and forfeitures | 17,682 | 20,006 | 34,481 | 14,475 |
| Intergovernmental | 261,207 | 283,769 | 334,799 | 51,030 |
| Investment income | 186,838 | 195,776 | 132,639 | (63,137) |
| Rental income | 17,620 | 24,544 | 102,739 | 78,195 |
| Contributions and donations | 3,863 | 4,193 | 4,894 | 701 |
| Other | 156,034 | 169,535 | 200,338 | 30,803 |
| Total revenues | 4,958,102 | 5,324,147 | 5,431,707 | 107,560 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General government | 1,412,336 | 1,574,280 | 1,283,928 | 290,352 |
| Security of persons and property | 4,164,781 | 4,174,475 | 3,680,936 | 493,539 |
| Public health and welfare | 32,686 | 32,686 | 19,702 | 12,984 |
| Community environment | 43,035 | 43,035 | 26,216 | 16,819 |
| Leisure time activity | 548,998 | 561,400 | 544,893 | 16,507 |
| Capital outlay | - | 2,825,000 | 2,808,261 | 16,739 |
| Debt service: | | | | |
| Principal retirement | - | 459,990 | 458,955 | 1,035 |
| Total expenditures | 6,201,836 | 9,670,866 | 8,822,891 | 847,975 |
| Excess of expenditures over revenues | (1,243,734) | (4,346,719) | (3,391,184) | 955,535 |
| **Other financing sources (uses):** | | | | |
| Note issuance | - | 2,825,000 | 2,825,000 | - |
| Sale of assets | 100 | 459,055 | 459,489 | 434 |
| Transfers out | (405,000) | (475,000) | (470,000) | 5,000 |
| Total other financing sources (uses) | (404,900) | 2,809,055 | 2,814,489 | 5,434 |
| Net change in fund balance | (1,648,634) | (1,537,664) | (576,695) | 960,969 |
| **Unencumbered fund balance at beginning of year** | 3,103,644 | 3,103,644 | 3,103,644 | - |
| **Prior year encumbrances appropriated** | 401,328 | 401,328 | 401,328 | - |
| **Unencumbered fund balance at end of year** | $ 1,856,338 | $ 1,967,308 | $ 2,928,277 | $ 960,969 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF ST. MARYS**
**AUGLAIZE COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021

| | Business-type Activities - Enterprise Funds | | | |
|---|---|---|---|---|
| | **Water** | **Sewer** | **Electric** | **Nonmajor Enterprise Fund** |
| **Assets:** | | | | |
| Current assets: | | | | |
| Equity in pooled cash and investments | $ 2,687,006 | $ 1,752,445 | $ 4,696,361 | $ 878,237 |
| Kilowatt per hour taxes | - | - | 57,022 | - |
| Accounts | 265,469 | 275,097 | 1,758,726 | 84,823 |
| Special assessments | 5,658 | 271 | - | - |
| Interfund loans | - | - | 915,560 | 1,500,000 |
| Due from other governments | 174 | 115 | 174 | 739 |
| Prepayments | 36,570 | 38,135 | 71,772 | 14,248 |
| Materials and supplies inventory | 182,926 | 27,122 | 201,785 | 12,226 |
| Total current assets | 3,177,803 | 2,093,185 | 7,701,400 | 2,490,273 |
| Noncurrent assets: | | | | |
| Loans receivable | - | - | 248,096 | - |
| Net pension asset | 15,799 | 11,048 | 17,687 | 8,226 |
| Net OPEB asset | 79,354 | 55,495 | 88,842 | 41,319 |
| Restricted assets: | | | | |
| Refundable cash deposits | - | - | 424,412 | - |
| Capital assets: | | | | |
| Non-depreciable capital assets | 232,462 | 1,407,224 | 1,276,501 | 303,695 |
| Depreciable capital assets, net | 22,243,131 | 13,495,337 | 28,068,174 | 249,538 |
| Total capital assets, net | 22,475,593 | 14,902,561 | 29,344,675 | 553,233 |
| Total noncurrent assets | 22,570,746 | 14,969,104 | 30,123,712 | 602,778 |
| Total assets | 25,748,549 | 17,062,289 | 37,825,112 | 3,093,051 |
| **Deferred outflows of resources:** | | | | |
| Pension | 102,597 | 71,749 | 115,005 | 55,826 |
| OPEB | 39,768 | 27,606 | 45,980 | 22,842 |
| Total deferred outflows of resources | 142,365 | 99,355 | 160,985 | 78,668 |
| **Liabilities:** | | | | |
| Current liabilities: | | | | |
| Accounts payable | 43,127 | 37,546 | 1,180,175 | 28,837 |
| Contracts payable | - | 61,600 | - | - |
| Accrued wages and benefits | 19,101 | 13,238 | 18,897 | 10,452 |
| Compensated absences payable | 25,472 | 22,032 | 47,713 | 17,727 |
| Due to other funds | - | - | 55,010 | - |
| Due to other governments | 4,367 | 3,050 | 6,714 | 6,395 |
| Accrued interest payable | 352 | 352 | 11,706 | - |
| Current portion of general obligation bonds payable | 52,500 | 52,500 | - | - |
| Revenue bonds payable | - | - | 315,000 | - |
| Current portion of OWDA loans payable | 747,437 | 590,795 | - | - |
| Current portion of OPWC loans payable | - | 23,204 | - | - |
| Current portion of AMP-Ohio stranded cost payable | - | - | 470 | - |
| Investment in joint venture | - | - | 15,644 | - |
| Payable from restricted assets: | | | | |
| Refundable cash deposits | - | - | 424,412 | - |
| Total current liabilities | 892,356 | 804,317 | 2,075,741 | 63,411 |
| Long-term liabilities: | | | | |
| Compensated absences payable | 97,671 | 76,627 | 86,432 | 49,974 |
| General obligation bonds payable | 167,500 | 167,500 | - | - |
| OWDA loans payable | 15,784,123 | 4,735,685 | - | - |
| Revenue bonds payable | - | - | 3,720,000 | - |
| OPWC loans payable | - | 253,257 | - | - |
| Landfill closure/postclosure liability | - | - | - | 1,743,489 |
| Net pension liability | 670,815 | 469,119 | 751,014 | 349,282 |
| Total long-term liabilities | 16,720,109 | 5,702,188 | 4,557,446 | 2,142,745 |
| Total liabilities | 17,612,465 | 6,506,505 | 6,633,187 | 2,206,156 |
| **Deferred inflows of resources:** | | | | |
| Pension | 341,240 | 216,493 | 361,110 | 159,680 |
| OPEB | 264,496 | 172,122 | 285,830 | 127,726 |
| Total deferred inflows of resources | 605,736 | 388,615 | 646,940 | 287,406 |
| **Net position:** | | | | |
| Net investment in capital assets | 5,724,033 | 9,018,020 | 25,309,675 | 553,233 |
| Unrestricted (deficit) | 1,948,680 | 1,248,504 | 5,396,295 | 124,924 |
| Total net position (deficit) | $ 7,672,713 | $ 10,266,524 | $ 30,705,970 | $ 678,157 |

Adjustment to reflect the consolidation of the internal service fund's activities related to enterprise funds.

Net position of business-type activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| Total | Governmental Activities - Internal Service Fund |
|---|---|
| | |
| $ 10,014,049 | $ 26,398 |
| 57,022 | - |
| 2,384,115 | - |
| 5,929 | - |
| 2,415,560 | - |
| 1,202 | 26 |
| 160,725 | 1,291 |
| 424,059 | 46,261 |
| 15,462,661 | 73,976 |
| | |
| 248,096 | - |
| 52,760 | 2,321 |
| 265,010 | 11,658 |
| | |
| 424,412 | - |
| | |
| 3,219,882 | - |
| 64,056,180 | - |
| 67,276,062 | - |
| 68,266,340 | 13,979 |
| 83,729,001 | 87,955 |
| | |
| 345,177 | 29,702 |
| 136,196 | 15,508 |
| 481,373 | 45,210 |
| | |
| 1,289,685 | 23,830 |
| 61,600 | - |
| 61,688 | 2,828 |
| 112,944 | 788 |
| 55,010 | - |
| 20,526 | 799 |
| 12,410 | - |
| 105,000 | - |
| 315,000 | - |
| 1,338,232 | - |
| 23,204 | - |
| 470 | - |
| 15,644 | - |
| | |
| 424,412 | - |
| 3,835,825 | 28,245 |
| | |
| 310,704 | 1,550 |
| 335,000 | - |
| 20,519,808 | - |
| 3,720,000 | - |
| 253,257 | - |
| 1,743,489 | - |
| 2,240,230 | 98,549 |
| 29,122,488 | 100,099 |
| 32,958,313 | 128,344 |
| | |
| 1,078,523 | 43,305 |
| 850,174 | 35,623 |
| 1,928,697 | 78,928 |
| | |
| 40,604,961 | - |
| 8,718,403 | (74,107) |
| 49,323,364 | $ (74,107) |
| (2,518) | |
| $ 49,320,846 | |

**CITY OF ST. MARYS**
**AUGLAIZE COUNTY**

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

| | Business-type Activities - Enterprise Funds | | | |
|---|---|---|---|---|
| | **Water** | **Sewer** | **Electric** | **Nonmajor Enterprise Fund** |
| **Operating revenues:** | | | | |
| Charges for services | $ 3,021,251 | $ 2,839,243 | $ 18,728,721 | $ 997,709 |
| Tap-in fees | 6,882 | 39,295 | - | - |
| Rental income | - | - | 28,043 | 11,520 |
| Other | 84,287 | 30,313 | 171,874 | 12,857 |
| Total operating revenues | 3,112,420 | 2,908,851 | 18,928,638 | 1,022,086 |
| **Operating expenses:** | | | | |
| Personal services | 429,198 | 325,765 | 491,183 | 260,282 |
| Contractual services | 452,054 | 597,302 | 484,239 | 343,873 |
| Materials and supplies | 294,629 | 119,502 | 15,534,011 | 14,778 |
| Depreciation | 684,548 | 875,194 | 1,975,954 | 28,988 |
| Other | - | - | - | 3,617 |
| Total operating expenses | 1,860,429 | 1,917,763 | 18,485,387 | 651,538 |
| Operating income (loss) | 1,251,991 | 991,088 | 443,251 | 370,548 |
| **Nonoperating revenues (expenses):** | | | | |
| Interest and fiscal charges | (287,040) | (177,846) | (152,348) | - |
| Interest income | 235 | 235 | 6,007 | 198 |
| Loss on sale of assets | (289,137) | - | (109,426) | - |
| Decrease in investment in joint venture | - | - | (14,694) | - |
| Nonoperating expenses | (315,894) | (30,520) | (22,773) | (5,164) |
| Other local tax revenue | - | - | 27,055 | - |
| Excise tax expense | - | - | (27,055) | - |
| Total nonoperating revenues (expenses) | (891,836) | (208,131) | (293,234) | (4,966) |
| Net income (loss) before transfers and capital contributions | 360,155 | 782,957 | 150,017 | 365,582 |
| Transfers in | - | - | - | - |
| Capital contributions | 558,797 | 175,783 | 10,711 | - |
| Change in net position | 918,952 | 958,740 | 160,728 | 365,582 |
| **Net position (deficit) at beginning of year** | 6,753,761 | 9,307,784 | 30,545,242 | 312,575 |
| **Net position (deficit) at end of year** | $ 7,672,713 | $ 10,266,524 | $ 30,705,970 | $ 678,157 |

Adjustment to reflect the consolidation of the internal service fund's activities related to enterprise funds.

Change in net position of business-type activities

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| Total | Governmental Activities - Internal Service Fund |
|---|---|
| $ 25,586,924 | $ 468,766 |
| 46,177 | - |
| 39,563 | - |
| 299,331 | 8,487 |
| 25,971,995 | 477,253 |
| | |
| 1,506,428 | 84,167 |
| 1,877,468 | 1,221 |
| 15,962,920 | 396,907 |
| 3,564,684 | - |
| 3,617 | - |
| 22,915,117 | 482,295 |
| | |
| 3,056,878 | (5,042) |
| | |
| (617,234) | - |
| 6,675 | - |
| (398,563) | - |
| (14,694) | - |
| (374,351) | - |
| 27,055 | - |
| (27,055) | - |
| (1,398,167) | - |
| | |
| 1,658,711 | (5,042) |
| | |
| - | 70,000 |
| 745,291 | - |
| | |
| 2,404,002 | 64,958 |
| | |
| | (139,065) |
| | |
| | $ (74,107) |
| | |
| 46,088 | |
| | |
| $ 2,450,090 | |

**CITY OF ST. MARYS**
**AUGLAIZE COUNTY**

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

| | Business-type Activities - Enterprise Funds | | | |
|---|---|---|---|---|
| | **Water** | **Sewer** | **Electric** | **Nonmajor Enterprise Fund** |
| **Cash flows from operating activities:** | | | | |
| Cash received from charges for services | $ 3,001,136 | $ 2,864,195 | $ 18,753,592 | $ 996,117 |
| Cash received from tap-in fees | 6,882 | 39,295 | - | - |
| Cash received from rental charges | - | - | 28,043 | 11,520 |
| Cash received from other operations | 84,139 | 30,224 | 247,234 | 12,792 |
| Cash payments for personal services | (1,038,580) | (762,160) | (1,208,924) | (546,136) |
| Cash payments for contract services | (458,799) | (602,333) | (652,023) | (501,796) |
| Cash payments for materials and supplies | (282,729) | (73,109) | (15,600,654) | (13,992) |
| Cash payments for other operations | - | - | (12,327) | (3,617) |
| Net cash provided by (used in) operating activities | 1,312,049 | 1,496,112 | 1,554,941 | (45,112) |
| **Cash flows from noncapital financing activities:** | | | | |
| Cash received from transfers in | - | - | - | - |
| Cash received from the repayment of loans to other entities | - | - | 14,594 | - |
| Cash received from the repayment of interfund loans | - | - | 486,555 | - |
| Cash payments for new interfund loans | - | - | (1,355,500) | (1,500,000) |
| Cash received from other local taxes | - | - | - | 27,055 |
| Cash payments for excise tax expense | - | - | - | (27,055) |
| Net cash provided by (used in) noncapital financing activities | - | - | (854,351) | (1,500,000) |
| **Cash flows from capital and related financing activities:** | | | | |
| Cash payments for the acquisition of capital assets | (422,582) | (676,223) | (419,865) | (33,789) |
| Intergovernmental | 545,772 | 8,157 | - | - |
| Cash payments for principal retirement | (1,154,905) | (644,637) | (300,000) | - |
| Cash payments for interest and fiscal charges | (287,120) | (177,925) | (153,218) | - |
| Net cash used in capital and related financing activities | (1,318,835) | (1,490,628) | (873,083) | (33,789) |
| **Cash flows from investing activities:** | | | | |
| Cash received from interest earned | 235 | 235 | 6,007 | 198 |
| Net cash provided by investing activities | 235 | 235 | 6,007 | 198 |
| Net increase (decrease) in cash and investments | (6,551) | 5,719 | (166,486) | (1,578,703) |
| **Cash and investments at beginning of year** | 2,693,557 | 1,746,726 | 5,287,259 | 2,456,940 |
| **Cash and investments at end of year** | $ 2,687,006 | $ 1,752,445 | $ 5,120,773 | $ 878,237 |

| Total | Governmental Activities - Internal Service Fund |
|---|---|
| $ 25,615,040 | $ 468,766 |
| 46,177 | - |
| 39,563 | - |
| 374,389 | 8,487 |
| (3,555,800) | (149,043) |
| (2,214,951) | (1,221) |
| (15,970,484) | (383,975) |
| (15,944) | - |
| 4,317,990 | (56,986) |
| - | 70,000 |
| 14,594 | - |
| 486,555 | - |
| (2,855,500) | - |
| 27,055 | - |
| (27,055) | - |
| (2,354,351) | 70,000 |
| (1,552,459) | - |
| 553,929 | - |
| (2,099,542) | - |
| (618,263) | - |
| (3,716,335) | - |
| 6,675 | - |
| 6,675 | - |
| (1,746,021) | 13,014 |
| 12,184,482 | 13,384 |
| $ 10,438,461 | $ 26,398 |

(Continued)

**CITY OF ST. MARYS**
**AUGLAIZE COUNTY**

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

| | Business-type Activities - Enterprise Funds | | | |
|---|---|---|---|---|
| | **Water** | **Sewer** | **Electric** | **Nonmajor Enterprise Fund** |
| **Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:** | | | | |
| Operating income (loss) | $ 1,251,991 | $ 991,088 | $ 443,251 | $ 370,548 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation | 684,548 | 875,194 | 1,975,954 | 28,988 |
| Changes in assets and liabilities: | | | | |
| Accounts receivable | (18,587) | 24,862 | 24,871 | (944) |
| Special assessments receivable | (1,528) | 90 | - | - |
| Due from other governments | (148) | (89) | 1,116 | (713) |
| Kilowatt per hour taxes receivable | - | - | 3,686 | - |
| Materials and supplies inventory | 2,419 | 46,692 | 40,458 | 603 |
| Prepayments | 4,558 | 270 | (2,552) | 1,864 |
| Net pension asset | (6,799) | (5,075) | (7,863) | (3,770) |
| Net OPEB asset | (79,354) | (55,495) | (88,842) | (41,319) |
| Deferred outflows - pension | 53,189 | 28,093 | 49,612 | 25,408 |
| Deferred outflows - OPEB | 69,085 | 41,273 | 71,408 | 34,581 |
| Accounts payable | (263) | (3,972) | (94,798) | (4,755) |
| Accrued wages and benefits | 2,765 | 2,407 | 3,316 | 2,838 |
| Compensated absences payable | (15,904) | 4,759 | 5,025 | 13,268 |
| Due to other governments | 1,741 | 960 | 1,816 | 5,148 |
| Due to other funds | - | - | (3,670) | - |
| Refundable cash deposits liability | - | - | 39,683 | - |
| Net pension liability | (285,842) | (165,783) | (293,276) | (124,439) |
| Net OPEB liability | (650,709) | (431,854) | (710,316) | (322,221) |
| Deferred inflows - pension | 129,035 | 49,017 | 94,508 | 50,650 |
| Deferred inflows - OPEB | 171,852 | 93,675 | 154,894 | 77,192 |
| Landfill closure/postclosure liability | - | - | - | (158,039) |
| AMP-Ohio stranded cost payable | - | - | (153,340) | - |
| Net cash provided by (used in) operating activities | $ 1,312,049 | $ 1,496,112 | $ 1,554,941 | $ (45,112) |

**Non-cash transactions:**

During 2020, the water fund purchased $10,000 in capital assets on account.

During 2021, the water fund purchased $296,339, $8,844, and $10,711 in capital assets for governmental activites, sewer fund, and the electric fund, respectively.

During 2021, the water fund received capital contributions from governmental activites in the amount of $13,025.

During 2021 and 2020, the sewer fund purchased $61,600 and $10,525, respectively, in capital assets on account.

During 2021, the sewer fund purchased $30,520 in capital assets for governmental activites.

During 2021, the sewer fund received capital contributions from governmental activities and the water fund in the amount of $158,782 and $8,844, respectively.

During 2020, the electric fund purchased $69,997 in capital assets on account.

During 2021, the electric fund purchased $22,773 in capital assets for governmental activites.

During 2021, the electric fund received capital contributions from the water fund in the amount of $10,711.

During 2021, the refuse fund (a nonmajor enterprise fund) purchased $5,164 in capital assets for governmental activites.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| Total | Governmental Activities - Internal Service Fund |
|---|---|
| $ 3,056,878 | $ (5,042) |
| 3,564,684 | - |
| 30,202 | - |
| (1,438) | - |
| 166 | - |
| 3,686 | - |
| 90,172 | (8,891) |
| 4,140 | 29 |
| (23,507) | (1,257) |
| (265,010) | (11,658) |
| 156,302 | (5,897) |
| 216,347 | 700 |
| (103,788) | 21,823 |
| 11,326 | 1,029 |
| 7,148 | (125) |
| 9,665 | 485 |
| (3,670) | - |
| 39,683 | - |
| (869,340) | (14,538) |
| (2,115,100) | (76,921) |
| 323,210 | 18,744 |
| 497,613 | 24,533 |
| (158,039) | - |
| (153,340) | - |
| $ 4,317,990 | $ (56,986) |

**CITY OF ST. MARYS**
**AUGLAIZE COUNTY**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021

| | | |
|---|---|---|
| | | **Custodial** |
| **Assets:** | | |
| Equity in pooled cash and cash equivalents | $ | 27,425 |
| Receivables (net of allowances for uncollectibles): | | |
| Income taxes | | 1,320,714 |
| Total assets | | 1,348,139 |
| **Liabilities:** | | |
| Due to other governments | | 1,348,139 |
| Total liabilities | | 1,348,139 |
| Total net position | $ | - |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS**
**AUGLAIZE COUNTY**

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

| | Custodial |
|---|---|
| **Additions:** | |
| Licenses, permits and fees for other governments . . . . . . . | $ 342,772 |
| Income tax collection for other governments . . . . . . . . . | 15,821,671 |
| Total additions . . . . . . . . . . . . . . . . . . . . . . . | 16,164,443 |
| **Deductions:** | |
| Licenses, permits and fees distributions to other governments . | 342,772 |
| Income tax distributions to other governments . . . . . . . . | 15,821,671 |
| Total deductions . . . . . . . . . . . . . . . . . . . . . . . | 16,164,443 |
| Net change in fiduciary net position . . . . . . . . . . . . . . | - |
| **Net position beginning of year. . . . . . . . . . . . . . . .** | - |
| **Net position end of year . . . . . . . . . . . . . . . . . . .** | $ - |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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## NOTE 1 - DESCRIPTION OF THE CITY

The City of St. Marys (the "City") is a home rule municipal corporation established and operated under the laws of the State of Ohio. St. Marys was established as a city in 1823 and incorporated as a municipal corporation in 1837.

The City operates under a mayor-council form of government. Legislative power is vested in a seven member City Council and a City Council President, all of which are elected to two-year terms. The Mayor is elected to a four-year term and is the chief executive officer of the City. Three City Council members are elected at-large and four are elected from wards. Other elected officials consist of the Auditor, Treasurer and Law Director. These elected officials are all elected for four-year terms.

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

## 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 City's significant accounting policies are described below.

### A. Reporting Entity

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; 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 budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. The City has one discretely presented component unit.

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

***DISCRETELY PRESENTED COMPONENT UNIT***

Community Improvement Corporation of St. Marys (CIC)

The Community Improvement Corporation of St. Marys (the "CIC") was formed pursuant to Resolution No. 753 passed January 10, 1967 and incorporated as a corporation not-for-profit under Title XVII, Chapters 1702 and 1724 of the Ohio Revised Code for the purpose to advance, encourage, and promote industrial, economic, commercial and civic development of Auglaize County (the "County") and the City of St. Marys (the "City") for the industrial, commercial, distribution, and research development in such political subdivisions in accordance with Section 1724.10 of the Ohio Revised Code. A nineteen-member Board of Trustees plus one ex-officio member has been established for the oversight of the operations. The CIC is a legally separate entity and the City appoints a voting majority of the CIC's Board of Trustees. The City can impose its will on the CIC and the CIC provides services entirely or almost entirely to the City. The City is not the sole corporate member of the CIC. Therefore, the CIC is considered a discretely presented component unit of the City of St. Marys.

Financial statements can be obtained from the Mr. Mike Burkholder, Manager of Industrial and Community Development, Community Improvement Corporation of St. Marys, 101 E. Spring Street, St. Marys, Ohio, 45885. Information relative to the discretely presented component unit is presented in Note 27.

The following organizations are described due to their relationship to the City:

***JOINT VENTURES WITH EQUITY INTEREST***

Ohio Municipal Electric Generation Agency Joint Venture

The City of St. Marys is a Financing Participant and a Purchaser Participant with percentages of liability and ownership of 3.80% and 2.98%, respectively, and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project Shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by American Municipal Power of Ohio (AMP-Ohio) and to pay or incur the costs of the same in accordance with the Agreement.

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the system. Under the terms of the Agreement, each Financing Participant is to fix, charge, and collect rates, fees, and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2021, the City of St. Marys has met their debt coverage obligation.

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

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation, of which 134.081 MW is the participants' entitlement and 4.569 MW are held in reserve. On dissolution of OMEGA JV2, the net position will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued $50,260,000 of twenty-year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of $45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP-Ohio redeemed all of the $31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP-Ohio's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP-Ohio credit facility. During 2018, the City fulfilled its debt obligation in full. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at www.ohioauditor.gov.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2021 are:

| Municipality | Percent Ownership | Kw Entitlement | Municipality | Percent Ownership | Kw Entitlement |
|---|---|---|---|---|---|
| Hamilton | 23.87% | 32,000 | Grafton | 0.79% | 1,056 |
| Bowling Green | 14.32% | 19,198 | Brewster | 0.75% | 1,000 |
| Niles | 11.48% | 15,400 | Monroeville | 0.57% | 764 |
| Cuyahoga Falls | 7.46% | 10,000 | Milan | 0.55% | 737 |
| Wadsworth | 5.81% | 7,784 | Oak Harbor | 0.55% | 737 |
| Painesville | 5.22% | 7,000 | Elmore | 0.27% | 364 |
| Dover | 5.22% | 7,000 | Jackson Center | 0.22% | 300 |
| Galion | 4.29% | 5,753 | Napoleon | 0.20% | 264 |
| Amherst | 3.73% | 5,000 | Lodi | 0.16% | 218 |
| St. Marys | 2.98% | 4,000 | Genoa | 0.15% | 199 |
| Montpelier | 2.98% | 4,000 | Pemberville | 0.15% | 197 |
| Shelby | 1.89% | 2,536 | Lucas | 0.12% | 161 |
| Versailles | 1.24% | 1,660 | South Vienna | 0.09% | 123 |
| Edgerton | 1.09% | 1,460 | Bradner | 0.09% | 119 |
| Yellow Springs | 1.05% | 1,408 | Woodville | 0.06% | 81 |
| Oberlin | 0.91% | 1,217 | Haskins | 0.05% | 73 |
| Pioneer | 0.86% | 1,158 | Arcanum | 0.03% | 44 |
| Seville | 0.80% | 1,066 | Custar | 0.00% | 4 |
| | 95.20% | 127,640 | | 4.80% | 6,441 |
| | | | Grand Total | 100.00% | 134,081 |

AMP-Ohio Solar Project
In 2012 AMP constructed a 3.54 MW solar energy generation field on a brownfield area including on top of an old land fill, in Napoleon, Ohio.

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

The project consisted of 17,160 solar panels covering 20.74 acres. Construction started in April 2012 and the facility went online late August 2012. There are three (3) member project participants. Those participants are the City of Napoleon, Ohio (1,040 kW), the City of St. Marys, Ohio (2,300 kW) and the Village of Waynesfield, Ohio (200 kW).

The City of St. Marys has executed a take-or-pay sales contract with AMP for 2,300 kW or 64.97% of capacity and associated energy from the solar facility.

***INSURANCE PURCHASING POOL***

The City participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Municipal League Workers' Compensation Group Rating Plan (the "Plan") is an insurance purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating members. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

**B. Basis of Presentation**

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

***Government-Wide Financial Statements*** - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The 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.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are primarily charges for services, tap-in fees, and rental income for the water, sewer, electric, and refuse enterprise funds, and charges for services collected for the City's maintenance garage internal service fund. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the proprietary fund. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

**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 plus deferred outflows of resources and liabilities plus deferred inflows of resources 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 improvement fund* - This capital projects fund accounts for capital outlay expenditures for capital improvements, including the acquisition, construction and improvement of 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 expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

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

*Water fund* - This fund accounts for the operations of water treatment and distribution to residential and commercial users located within the City.

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

*Electric fund* - This fund accounts for the operations of providing electric services to residential and commercial users located within the City.

The nonmajor enterprise fund is used to account for refuse operations.

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

***Internal Service Fund*** - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on the operations of the City's maintenance garage.

***Fiduciary Funds*** - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's custodial funds account for income tax receipts collected and distributed to other villages and for licenses, permits and fees collected and distributed to outside sewer districts. The City does not have pension trust funds, private-purpose trust fund or investment trust funds.

**D. Measurement Focus**

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

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

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

For proprietary funds, the statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in 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.

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

**E. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements 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 of resources and deferred outflows of resources, and in the presentation of expenses versus expenditures.

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

***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 the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one 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 the 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred Outflows of Resources and Deferred Inflows of Resources*** - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, see Notes 16 and 17 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. This amount has 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 Notes 16 and 17 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.

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

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

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

***Tax Budget*** - A budget of estimated revenues and expenditures for all funds is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year. The budget includes proposed expenditures and the means of financing for all funds. The purpose of this budget document is to reflect the need for existing or increased tax rates. The Auglaize County Auditor waived this requirement for 2021.

***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 before 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 revenue estimates, and the County Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the basic financial statements represent estimates from the final amended official certificate of estimated resources issued during 2021.

***Appropriations*** - A temporary appropriations ordinance to control the level of expenditures for all funds may be passed on or about January 1 of each year, for the period January 1 to March 31. An annual appropriations ordinance must be passed by April 1 of each year, for the period January 1 to December 31. Appropriations may not exceed estimated resources as established in the amended official certificate of estimated resources. The allocation of appropriations among departments and objects within a fund may be modified during the year with City Council approval. Several appropriations resolutions were legally enacted by the City Council during the year. The budget figures, which appear in the budgetary comparison statement, represent the appropriated budget amounts and all supplemental appropriations.

***Budgeted Level of Expenditures*** - Administrative control is maintained through the establishment of detailed line-item budgets. Expenditures may not legally exceed appropriations at the level of appropriation adopted by the City Council. For all funds, City Council appropriations are made to personal services, capital outlay, debt retirement, transfer accounts and other expenditure accounts for each department within each fund. The appropriations set by the City Council at the legal level of control must remain fixed unless amended by City Council resolution. More detailed appropriation allocations may be made by the City Auditor as long as the allocations are within the City Council's legal level of control appropriated amount.

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

***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 carried forward to the succeeding year and are not reappropriated.

**G. Cash and Investments**

To improve cash management, cash received by the City, other than cash in segregated accounts or with fiscal agents, 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 investments that are held separately from the City by fiscal agents, and are not held within the City treasury, are recorded on the basic financial statements as "cash with fiscal agent".

The City has segregated bank accounts for monies held separate from the City's central bank accounts. The City maintains segregated depository account for ambulance monies.

During 2021, investments were limited to Federal Farm Credit Bank (FFCB), U.S. Treasury money market mutual funds, negotiable certificates of deposit and STAR Ohio. Investments are reported at fair value, except for nonnegotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices.

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

For 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $100 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

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 $138,120 which includes $108,745 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.

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

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

**H. Loans Receivable**

Loans receivable represent the right to receive payment for certain loans made by the City. These loans are based upon written agreements between the City and the various loan recipients. See Note 8 for further information on the City's loans receivable.

**I. Notes Receivable**

Notes receivable represent the right to receive payment on notes issued to the CIC and other entities. These notes are based upon written agreements between the City and other entities. See Note 9 for further information on the City's notes receivable.

**J. Land Held for Resale**

The City has acquired land with the intent of being sold to businesses to promote economic development and job creation within the City. Transactions are conducted through the City's capital improvement fund.

**K. Prepayments**

Payments made to vendors for services that will benefit the City beyond December 31, 2021 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it is consumed.

On the governmental fund financial statements, prepaid items are equally offset by nonspendable fund balance, which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

**L. Inventories of Materials and Supplies**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

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

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

**M. 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.

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of $5,000. The City's infrastructure primarily consists of bridges, culverts, curbs, sidewalks, streets, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

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

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

| Description | Governmental Activities Estimated Lives | Business-Type Activities Estimated Lives |
|---|---|---|
| Land improvements | 20 - 25 years | 20 - 25 years |
| Buildings and improvements | 20 - 25 years | 25 years |
| Equipment and furniture | 7 - 15 years | 7 - 25 years |
| Infrastructure | 20 - 40 years | 10 - 50 years |

**N. Compensated Absences**

Vacation leave 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 leave when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments. Accumulated unused sick leave is paid to employees who retire at various rates depending on department and length of service.

The entire compensated absences 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. When applicable, 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.

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

All payables, accrued liabilities, and long-term obligations are reported on 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.

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

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, compensated absences that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that a severance liability is 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.

### P. Interfund Balances

On the fund financial statements, amounts due to/from other funds resulting from time lag between payment dates are classified as "due to/from other funds". Interfund balances resulting from loan transactions between funds are reported as "interfund loans receivable/payable".

These amounts are eliminated in the governmental activities and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental activities and business-type activities, which are presented as internal balances.

### Q. Interfund Activity

Transfers between governmental activities 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 basic financial statements.

### R. Fund Balance

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

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

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

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

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

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

*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.

**S. Restricted Assets**

Restricted assets represent utility deposits from customers that are restricted because their use is limited to the payment of unpaid utility bills or refunding the deposit to the customer. In addition, restricted assets represent permissive tax monies held by Auglaize County.

**T. Estimates**

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

**U. Capital Contributions**

Capital contributions in the governmental activities arise from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction. During 2021, the governmental activities reported capital contributions in the amount of $354,796 in capital contributions from business-type activities.

Capital contributions in the business-type activities arise from contributions from governmental activities, from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction. During 2021, the water fund received $13,025 and $545,772 in capital contributions from governmental activities and OPWC grants, respectively. The sewer fund received $158,782, $8,844, and $8,157 in capital contributions from governmental activities, the water fund and OPWC grants, respectively. The electric fund received $10,711 in capital contributions from the water fund.

**V. Unearned Revenue**

Unearned revenue arises when resources are received by the City before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized.

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

### W. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of monies intended for law enforcement and education.

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

### X. 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 management and are either unusual in nature or infrequent in occurrence. The City reported neither type of transaction during 2021.

### Y. 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.

### Z. Fair Value Measurements

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

## 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.*"

## NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

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

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

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

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

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

### B. Deficit Fund Balances

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

| Nonmajor funds | Deficit |
|---|---|
| Special assessment improvement | $ 46,122 |
| | |
| Internal service fund | 74,107 |

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

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

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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

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

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

4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

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

6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (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 a period of 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 Ohio, as to which there is no default of principal, interest or coupons; and,

3. Obligations of the City.

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

*Restricted cash with fiscal agent:* At year end, the City had $10,330 on deposit with a financial institution for permissive tax monies held by Auglaize County. The data regarding insurance and collateralization can be obtained from the Auglaize County financial report for the year ended December 31, 2021. This amount is not included in "investments" below.

*Restricted assets:* At year end, the City had various deposits that were restricted (See Note 19). These amounts are included in "deposits with financial institutions" below.

**A. Deposits with Financial Institutions**

At December 31, 2021, the carrying amount of all City deposits was $8,777,914 and the bank balance of all City deposits was $9,278,949. Of the bank balance, $750,000 was covered by the FDIC, $4,027,958 was covered by the Ohio Pooled Collateral System, and the remaining $4,500,991 was potentially exposed to custodial credit risk.

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Investments**

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

| | | Investment Maturities | | | | |
|---|---|---|---|---|---|---|
| Measurement/ Investment Type | Measurement Value | 6 Months or Less | 7 to 12 Months | 13 to 18 Months | 19 to 24 Months | Greater than 24 Months |
| *Fair value:* | | | | | | |
| Negotiable CD's | $ 5,445,560 | $ 1,985,005 | $ 1,512,642 | $ 471,290 | $ 249,057 | $ 1,227,566 |
| FFCB | 491,420 | - | - | - | - | 491,420 |
| *Amortized cost:* | | | | | | |
| U.S. Treasury money market mutual funds | 1,747,034 | 1,747,034 | - | - | - | - |
| STAR Ohio | 2,000,000 | 2,000,000 | - | - | - | - |
| Total | $ 9,684,014 | $ 5,732,039 | $ 1,512,642 | $ 471,290 | $ 249,057 | $ 1,718,986 |

At December 31, 2021, the weighted average maturity of investments is 0.80 years.

*Fair Value Measurements*: The City's investments in U.S. treasury money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The City's investments in federal agency securities (FFCB), and negotiable CD's 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 generally 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.

*Credit Risk*: STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The U.S. Treasury money market mutual funds carry a rating of AAAm by Standard & Poor's. The City's investments in FFCB securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, Inc., respectively. The City's negotiable certificates of deposit were fully insured by the FDIC. The City has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

*Custodial Credit Risk*: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The FFCB securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the City's name. The City has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the City Auditor or qualified trustee.

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*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:

| Investment Type | Measurement Value | % of Total |
|---|---|---|
| *Fair value:* | | |
| Negotiable CD's | $ 5,445,560 | 56.24 |
| FFCB | 491,420 | 5.07 |
| *Amortized cost:* | | |
| U.S. Treasury money market mutual fund | 1,747,034 | 18.04 |
| STAR Ohio | 2,000,000 | 20.65 |
| Total | $ 9,684,014 | 100.00 |

**C. 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 to cash and investments as reported on the statement of net position as of December 31, 2021:

| | |
|---|---|
| Cash and investments per note disclosure | |
| Carrying amount of deposits | $ 8,777,914 |
| Investments | 9,684,014 |
| Restricted cash with fiscal agent | 10,330 |
| Total | $ 18,472,258 |
| Cash and investments per statement of net position | |
| Governmental activities | $ 8,006,372 |
| Business-type activities | 10,438,461 |
| Custodial funds | 27,425 |
| Total | $ 18,472,258 |

## NOTE 5 - INTERFUND TRANSACTIONS

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

| | |
|---|---|
| Transfers out of general fund and into: | |
| Internal service fund | $ 70,000 |
| Nonmajor governmental funds | 400,000 |
| | 470,000 |
| Transfer out of nonmajor governmental fund and into: | |
| Nonmajor governmental funds | 47,000 |
| Total | $ 517,000 |

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers between governmental funds are eliminated for reporting on the statement of activities. Transfers between governmental activities and business-type activities are reported as transfers on the statement of activities.

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

**B.** Interfund loans receivable/payable consisted of the following, as reported on the fund financial statements for the year ended December 31, 2021:

| | |
|---|---|
| Interfund loans receivable in the electric fund from: | |
| General fund | $ 866,045 |
| Nonmajor governmental fund | 49,515 |
| Interfund loans receivable in the refuse fund (a nonmajor enterprise fund) from: | |
| General fund | 1,500,000 |
| Total | $2,415,560 |

The interfund loans to the special assessment bond retirement fund (a nonmajor governmental fund) are City street improvement bonds which represent amounts borrowed from other City funds. The bonds were issued in order to finance street improvements.

The interfund loans to the general fund are property acquisition notes which represent the amounts borrowed from other City funds. The notes were issued in order to finance property acquisitions during 2021.

Interfund loans between governmental activities and business-type activities are reported as a component of "internal balance" on the statement of net position.

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

**C.** Due to/from other funds consisted of the following, as reported on the fund financial statements for the year ended December 31, 2021:

| | |
|---|---|
| Due to general fund from: | |
| Electric fund | $ 55,010 |

This balance resulted from the time lag between the dates in which payments between the funds were made. Amounts due to/from other funds between governmental activities and business-type activities are reported as a component of "internal balance" on the statement of net position.

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

The full tax rate for all City operations for the year ended December 31, 2021 was $3.32 per $1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2021 property tax receipts were based are as follows:

| | |
|---|---|
| Real property | |
| Residential/agricultural | $ 118,055,270 |
| Commercial/industrial | 37,249,620 |
| Public utility | |
| Real | 26,640 |
| Personal | 597,020 |
| Total assessed value | $ 155,928,550 |

**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 the income 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.

The City, by ordinance, allocated 1 percent of the income tax revenues to the general fund (0.72%), the street construction and maintenance fund (a nonmajor governmental fund) (0.18%), and the capital improvements fund (0.10%). Starting January 1, 2016, the other 0.5 percent is allocated to the voted income tax fund (a nonmajor governmental fund). For 2021, in the fund financial statements, income tax revenue credited to the general fund, voted income tax fund (a nonmajor governmental fund), street construction and maintenance (a nonmajor governmental fund), and the capital improvement fund totaled $2,702,772, $1,416,977, $509,221, and $282,901, respectively.

**NOTE 8 - LOANS RECEIVABLE**

**A.** Loans receivable in the governmental activities represent low interest loans for development projects and home improvements granted to eligible City businesses and residents under the Community Development Block Grant (CDBG) program, a federal grant program which is accounted for in the CDBG fund (a nonmajor governmental fund). The outstanding loans have annual interest rates ranging from 2.00% - 3.00%, and are repaid over periods ranging from five to thirty years.

A summary of loans receivable activity in the governmental activities during 2021 follows:

| **Loans receivable:** | Balance 12/31/2020 | Additions | Reductions | Balance 12/31/2021 |
|---|---|---|---|---|
| Business loans | $ 735,956 | $ 23,474 | $ (109,382) | $ 650,048 |

**B.** Loans receivable in the business-type activities represents a loan the City made to the St. Marys Community Foundation for lighting at St. Marys City School District (the "District") in 2018. The District makes biannual payments of $7,297. The loan was made out of the electric fund.

A summary of loan receivable activity in the business-type activities during 2021 follows:

| **Loans receivable:** | Balance 12/31/2020 | Additions | Reductions | Balance 12/31/2021 |
|---|---|---|---|---|
| Lighting project | $ 262,690 | $ - | $ (14,594) | $ 248,096 |

**NOTE 9 - NOTES RECEIVABLE**

**A.** Notes receivable have been reported for amounts issued to the Community Improvement Corporation of St. Marys (CIC) for the improvement of storefronts within the City that are being leased to outside entities, specifically the St. Marys City School District Board of Education. The CIC is charged with collecting lease payments from the lessee in order to repay the note principal to the City. The Fort Barbee Renovation note was issued on October 1, 2010 for $150,000, has an annual interest rate of 1.00%, and is to be repaid on a quarterly basis over a twenty year period. The 207 E. Spring Street note was issued on August 1, 2015 for $130,000, has an annual interest rate of 1.25%, and is to be repaid on a quarterly basis over a fifteen-year period. At December 31, 2021, the amount owed to the City was $130,494.

**NOTE 9 - NOTES RECEIVABLE - (Continued)**

A summary of notes receivable activity during 2021 follows:

| | Balance 12/31/2020 | Additions | Reductions | Balance 12/31/2021 |
|---|---|---|---|---|
| Fort Barbee Renovation | $ 65,098 | $ - | $ (13,378) | $ 51,720 |
| 207 E. Spring Street Property | 87,212 | - | (8,438) | 78,774 |
| Total | $ 152,310 | $ - | $ (21,816) | $ 130,494 |

**B.** Notes receivable have been reported for amounts owed to the City for properties sold to various entities who have vendor's liens on the properties. In 2020, the City sold property to Dynamite Development, LLC in the amount of $195,000 and is to be repaid on an annual basis over a five year period. The vendor's lien carries no interest rate. In 2020, the City sold property to Gym Supply Warehouse, LLC in the amount of $15,000 and is to be repaid within two year. The vendor's lien carries no interest rate.

A summary of notes receivable activity during 2021 follows:

| | Balance 12/31/2020 | Additions | Reductions | Balance 12/31/2021 |
|---|---|---|---|---|
| Dynamite Development, LLC | $ 185,000 | $ - | $ (18,000) | $ 167,000 |
| Gym Warehouse, LLC | 15,000 | - | - | 15,000 |
| Total | $ 200,000 | $ - | $ (18,000) | $ 182,000 |

**NOTE 10 - RECEIVABLES**

Receivables at December 31, 2021 consisted of income taxes, real and other taxes, kilowatt per hour taxes, accounts (billings for user charged services), special assessments, loans, notes, accrued interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All intergovernmental receivables have been reported as "due from other governments" on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2021.

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

| **Receivables:** | **Governmental Activities** | **Business-type Activities** |
|---|---|---|
| Income taxes | $ 1,005,735 | $ - |
| Real and other taxes | 448,438 | - |
| Kilowatt per hour taxes | - | 57,022 |
| Accounts | 98,651 | 2,384,115 |
| Special assessments | 98,255 | 5,929 |
| Loans | 650,048 | 248,096 |
| Notes | 312,494 | - |
| Accrued interest | 19,291 | - |
| Due from other governments | 437,255 | 1,202 |
| Total | $ 3,070,167 | $ 2,696,364 |

**NOTE 10 – RECEIVABLES – (Continued)**

Receivables have been disaggregated on the face of the basic financial statements. The only receivables not expected to be collected within the subsequent year are special assessments, loans, and notes. Special assessments will be collected over the life of the assessment. Loans and notes receivable will be collected over the term of the respective agreements (See Notes 8 and 9).

**NOTE 11 - CAPITAL ASSETS**

Governmental activities capital asset activity for the year ended December 31, 2021 was as follows:

| **Governmental activities:** | Balance 12/31/2020 | Additions | Disposals | Balance 12/31/2021 |
|---|---|---|---|---|
| *Capital assets, not being depreciated:* | | | | |
| Land | $ 3,923,972 | $ 3,801,423 | $ (458,955) | $ 7,266,440 |
| Construction in progress | 1,570,802 | 1,188,180 | (1,890,587) | 868,395 |
| *Total capital assets, not being depreciated* | 5,494,774 | 4,989,603 | (2,349,542) | 8,134,835 |
| *Capital assets, being depreciated:* | | | | |
| Land improvements | 4,871,274 | 69,411 | - | 4,940,685 |
| Buildings and improvements | 4,006,190 | 1,899,807 | - | 5,905,997 |
| Equipment and furniture | 11,257,034 | 436,658 | (886,032) | 10,807,660 |
| Infrastructure | 31,631,043 | 1,143,942 | - | 32,774,985 |
| *Total capital assets, being depreciated* | 51,765,541 | 3,549,818 | (886,032) | 54,429,327 |
| *Less: accumulated depreciation:* | | | | |
| Land improvements | (1,873,387) | (227,566) | - | (2,100,953) |
| Buildings and improvements | (1,564,949) | (174,168) | - | (1,739,117) |
| Equipment and furniture | (8,618,573) | (575,144) | 860,570 | (8,333,147) |
| Infrastructure | (20,376,322) | (1,103,113) | - | (21,479,435) |
| *Total accumulated depreciation* | (32,433,231) | (2,079,991) | 860,570 | (33,652,652) |
| Total capital assets, net | $ 24,827,084 | $ 6,459,430 | $ (2,375,004) | $ 28,911,510 |

Depreciation expense was charged to the City's governmental activities programs/functions as follows:

| **Governmental activities:** | Depreciation Expense |
|---|---|
| General government | $ 141,650 |
| Security of persons and property | 595,712 |
| Transportation | 1,306,132 |
| Leisure time activity | 36,497 |
| Total depreciation expense | $ 2,079,991 |

## NOTE 11 - CAPITAL ASSETS - (Continued)

Business-type activities capital asset activity for the year ended December 31, 2021 was as follows:

| **Business-type activities:** | Balance 12/31/2020 | Additions | Disposals | Balance 12/31/2021 |
|---|---|---|---|---|
| *Capital assets, not being depreciated:* | | | | |
| Land and easements | $ 1,243,560 | $ - | $ - | $ 1,243,560 |
| Construction in progress | 913,776 | 1,062,546 | - | 1,976,322 |
| *Total capital assets, not being depreciated* | 2,157,336 | 1,062,546 | - | 3,219,882 |
| *Capital assets, being depreciated:* | | | | |
| Land improvements | 3,578,050 | - | - | 3,578,050 |
| Buildings and improvements | 37,830,569 | - | (984,385) | 36,846,184 |
| Equipment and furniture | 38,514,306 | 278,002 | (113,199) | 38,679,109 |
| Infrastructure | 25,008,372 | - | - | 25,008,372 |
| *Total capital assets, being depreciated* | 104,931,297 | 278,002 | (1,097,584) | 104,111,715 |
| *Less: accumulated depreciation:* | | | | |
| Land improvements | (602,117) | (169,180) | - | (771,297) |
| Buildings and improvements | (8,799,471) | (680,315) | 695,248 | (8,784,538) |
| Equipment and furniture | (13,442,814) | (2,252,490) | 3,773 | (15,691,531) |
| Infrastructure | (14,345,470) | (462,699) | - | (14,808,169) |
| *Total accumulated depreciation* | (37,189,872) | (3,564,684) | 699,021 | (40,055,535) |
| Total capital assets, net | $ 69,898,761 | $ (2,224,136) | $ (398,563) | $ 67,276,062 |

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

| **Business-type activities:** | Depreciation Expense |
|---|---|
| Water fund | $ 684,548 |
| Sewer fund | 875,194 |
| Electric fund | 1,975,954 |
| Nonmajor enterprise fund | 28,988 |
| Total depreciation expense | $ 3,564,684 |

## NOTE 12 - COMPENSATED ABSENCES

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

City employees earn vacation leave at varying rates depending on length of service and standard work week. Current policy credits vacation leave on the employee's anniversary date. Employees are paid for 100 percent of accumulated unused vacation leave upon termination.

Sick leave is earned at various rates as defined by City policy and union contracts. Payment of accrued unused sick leave is made to each employee having ten or more years of continuous service with the City upon retirement under the applicable pension system. The maximum amount of sick leave that is paid upon retirement differs between the policies.

**NOTE 12 - COMPENSATED ABSENCES - (Continued)**

Compensatory leave for supervisors and police department employees, including sergeants, officers, and dispatchers, is earned at a rate of one and one-half times the actual hours worked in excess of eight hours per day or in excess of the employee's regularly scheduled work week. Compensatory leave may accumulate throughout the year, but any unused balance as of December 31 of each year may not exceed forty hours for supervisors, sergeants and officers, and thirty-two hours for dispatchers. Upon termination of employment, employees are entitled to receive, in cash, any remaining balance of unused compensatory leave.

**NOTE 13 - NOTES PAYABLE**

The City had the following note activity during 2021:

| | Balance 12/31/2020 | Additions | Retirements | Balance 12/31/2021 |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Special assessment notes, 2020 | $ 47,000 | $ - | $ (47,000) | $ - |
| Special assessment notes, 2021 | - | 70,000 | - | 70,000 |
| | $ 47,000 | $ 70,000 | $ (47,000) | $ 70,000 |

On June 25, 2020, the City entered into special assessment notes in the amount of $47,000 to finance the 2020 Street Program projects. The notes carried an interest rate of 1.39% and matured on June 25, 2021.

On July 12, 2021, the City entered into special assessment notes in the amount of $30,000 to finance the OPWC east spring street reconstruction project. The notes carry an interest rate of 1.36% and mature on July 15, 2022. A fund liability is reported in the fund which received the proceeds, which is the special assessment improvement capital projects fund (a nonmajor governmental fund).

On August 5, 2021, the City entered into special assessment notes in the amount of $40,000 to finance the 2021 Street Program projects. The notes carry an interest rate of 1.18% and mature on August 5, 2022. A fund liability is reported in the fund which received the proceeds, which is the special assessment improvement capital projects fund (a nonmajor governmental fund).

**NOTE 14 - LONG-TERM OBLIGATIONS**

Governmental activities changes in long-term obligations for the year ended December 31, 2021 were as follows:

| **Governmental activities:** | Balance 12/31/2020 | Additions | Retirements | Balance 12/31/2021 | Amount Due Within One Year |
|---|---|---|---|---|---|
| Long-term obligations | | | | | |
| Bond anticipation notes | $ - | $ 1,200,000 | $ - | $ 1,200,000 | $ - |
| Net pension liability | 7,296,652 | - | (470,262) | 6,826,390 | - |
| Net OPEB liability | 2,109,106 | 42,973 | (1,324,790) | 827,289 | - |
| Compensated absences payable | 478,308 | 116,019 | (123,695) | 470,632 | 113,702 |
| Total long-term obligations | $ 9,884,066 | $ 1,358,992 | $ (1,918,747) | $ 9,324,311 | $ 113,702 |

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

Business-type activities changes in long-term obligations for the year ended December 31, 2021 were as follows:

| **Business-type activities:** | Interest Rate | Balance 12/31/2020 | Additions | Retirements | Balance 12/31/2021 | Amount Due Within One Year |
|---|---|---|---|---|---|---|
| Capital Improvement Bonds | | | | | | |
| Capital Improvement Bonds, Series 2016 | 1.94% | $ 540,000 | $ - | $ (100,000) | $ 440,000 | $ 105,000 |
| Revenue bonds | | | | | | |
| Electric system, series 2018 | 3.52% | 4,335,000 | - | (300,000) | 4,035,000 | 315,000 |
| OWDA loans (direct borrowing) | | | | | | |
| Water treatment plant planning and improvements | 1.65% | 17,636,465 | - | (1,104,905) | 16,531,560 | 747,437 |
| Wastewater treatment plant | 3.36% | 5,897,913 | - | (571,433) | 5,326,480 | 590,795 |
| Total OWDA loans | | 23,534,378 | - | (1,676,338) | 21,858,040 | 1,338,232 |
| OPWC loans (direct borrowing) | | | | | | |
| Sanitary sewer rehabilitation | 0.00% | 127,165 | - | (8,204) | 118,961 | 8,204 |
| Spring Street sanitary lift rehabilitation | 0.00% | 172,500 | - | (15,000) | 157,500 | 15,000 |
| Total OPWC loans | | 299,665 | - | (23,204) | 276,461 | 23,204 |
| Other long-term obligations | | | | | | |
| Compensated absences payable | | 416,500 | 96,709 | (89,561) | 423,648 | 112,944 |
| Net pension liability | | 3,109,570 | - | (869,340) | 2,240,230 | - |
| Net OPEB liability | | 2,115,100 | - | (2,115,100) | - | - |
| AMP-Ohio stranded cost payable | | 153,810 | - | (153,340) | 470 | 470 |
| Landfill closure/postclosure liability | | 1,901,528 | - | (158,039) | 1,743,489 | - |
| Total other long-term obligations | | 7,696,508 | 96,709 | (3,385,380) | 4,407,837 | 113,414 |
| Total long-term obligations | | $ 36,405,551 | $ 96,709 | $ (5,484,922) | $ 31,017,338 | $ 1,894,850 |

Compensated absences will be paid out of the fund from which the employee's salary is paid, which for the City includes the general fund and the street construction and maintenance fund (a nonmajor governmental fund), water fund, sewer fund, electric fund, and refuse fund (a nonmajor enterprise fund).

See Notes 16 and 17 for details on the net pension liability and net OPEB liability.

See Note 20 for detail of the City's landfill closure/postclosure liability.

Bond anticipation notes - On July 26, 2021, the City entered into municipal building notes in the amount of $1,200,000 to finance the demolition and architect costs associated with the new municipal building construction project. The notes carry an interest rate of 1.36% and mature on March 1, 2022. There were $1,175,512 in unspent bond proceeds as of December 31, 2021.

Notes that were refinanced prior to the issuance of the financial statements and have a new maturity beyond the end of the year in which the report is issued have been reported on the statement of net position as a long-term liability. The 2021 notes will be retired with a new issue on March 1, 2022, which matures on March 1, 2023 (see Note 29 for detail). The notes are backed by the full faith and credit of the City.

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

Capital Improvement Bonds - On May 25, 2016, the City issued capital improvement bonds in the amount of $1,025,000. The bonds will mature on December 1, 2025, and carry an interest rate of 1.94%. Principal and interest payments are paid half out of the water fund and half out of the sewer fund. The bonds are supported by the full faith and credit of the City.

OWDA Loans - The City has pledged future sewer revenues to repay an Ohio Water Development Authority (OWDA) loan related to the construction of a new wastewater treatment plant. The loan is payable solely from sewer fund revenues and is payable through 2030 at an interest rate of 3.36% and had an outstanding balance of $5,326,480 at December 31, 2021. Annual principal and interest payments on the loan are expected to require 40.98% of net revenues and 26.29% of total revenues. The total principal and interest remaining to be paid on the loan is $6,118,747. Principal and interest paid for the current year was $764,843. Total net revenues were $1,866,517, and total revenues were $2,908,851.

During 2016, the City entered into another OWDA loan agreement for the purpose of financing construction costs for the planning phase of the City's water treatment plant improvements. The loan carries an interest rate of 1.65% and had an outstanding balance of $16,531,560 at December 31, 2021. Annual principal and interest payments on the loan are expected to require 71.60% of net revenues and 44.56% of total revenues. The total principal and interest remaining to be paid on the loan is $19,325,604. Total net revenues were $1,936,774, and total revenues were $3,112,420. Principal and interest paid for the current year was $1,386,787.

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.

OPWC Loans - The City has entered into debt financing arrangements through the Ohio Public Works Commission (OPWC) to fund a sanitary lift rehabilitation project and a sanitary sewer rehabilitation project. The payments due to the OPWC are made from the City's sewer fund. The loan agreements function similar to a line-of-credit agreement. At December 31, 2021, the City had outstanding OPWC loan borrowings of $276,461 in the sewer fund. The loan agreement requires semi-annual payments based on the actual amount loaned. The OPWC loans are interest free and are payable through 2033 and 2036, respectively.

OPWC loans are direct borrowings that have terms negotiated directly between the County 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 County 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 County is located to pay the amount of the default from funds that would otherwise be appropriated to the County 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.

AMP-Ohio Stranded Cost Payable - The City is a member of American Municipal Power (AMP) and was a participant in the American Municipal Power Generating Station Project (the "AMPGS Project"). The City executed a take-or-pay contract on November 1, 2007 in order to participate in the AMPGS Project, which was intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share of the AMPGS Project was 21,000 kilowatts out of a total 771,281 kilowatts, giving the City a 2.72 percent share. The take-or-pay contracts signed by the City and other AMPGS Project participants obligated these entities to pay any costs incurred for the AMPGS Project.

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed impaired and the participants of the AMPGS Project were obligated to pay the costs already incurred. In prior years, the eventual payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. However, as a result of a March 31, 2014 legal ruling, on April 16, 2014 the AMP Board of Trustees and the AMPGS Project participants approved the collection of the impaired costs. AMP then provided each AMPGS Project participant with an estimate of its individual liability.

Consistent with prior years, the City continues to record a long-term obligation for its portion of the stranded costs related to the AMPGS Project. The City's estimated share of the impaired costs at March 31, 2014 was determined to be $3,642,633. The City received a credit of $757,070 related to its participation in the AMP Fremont Energy Center Project (the "AFEC Project"), and another credit of $949,722 related to AMPGS Project costs deemed to have a future benefit for the City (both credits act as a reduction to the City's long-term obligation for stranded costs, including $915,535 of the latter credit reported as a special item in the electric fund in a prior year). As of December 31, 2021, the City has made total payments of $2,056,804 on the AMPGS Project liability, $153,340 of which occurred during 2021. The City was also responsible for various costs related to the AMPGS Project incurred during 2021 in the amount of $470, which increased the City's long-term obligation. The net effect of these transactions is a December 31, 2021 impaired cost estimate of $470, which is reported as "AMP-Ohio stranded cost payable" in the City's electric fund.

Now that payments on the outstanding stranded costs associated with the AMPGS Project are probable and reasonably estimable for each AMPGS Project participant, each entity is required to report a liability moving forward. AMP has financed these costs on its revolving line-of-credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the AMPGS Project could potentially impact each participant's liability. These amounts will be recorded as they become estimable.

In 2011, when the AMPGS Project was determined to be abandoned, the City recognized the total estimated costs established at that time as a current operating expense through the contractual services line item. The City thus elected in 2011 to finance this long-term obligation through existing resources in the electric fund, a plan that is still in place as of December 31, 2021.

The following is a summary of the City's future payment requirements for the AMPGS Project liability (AMP-Ohio stranded cost payable):

| | AMPGS Project Liability |
|---|---|
| Year Ending December 31, | Payment |
| 2022 | $ 470 |

Electric System Improvement Revenue Bonds, Series 2018 - On April 18, 2018, the City issued $5,200,000 in electric system improvement revenue bonds at an interest rate of 3.52% for the purpose of paying costs of improving the City's electric system. The bonds mature over a period of approximately 14 years with the final payment due December 1, 2032. Interest will be payable semiannually on each June 1 and December 1.

Proceeds from revenue bonds were used for the following: $1,050,000 for the purpose of paying costs of improving the City's electric system and $4,100,000 for the purpose of currently refunding the City's $4,100,000 Electric System Notes, Series 2017, dated May 17, 2017 and to pay the costs of issuance related to the issuance of the Bonds.

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

Future Debt Service Requirements - At December 31, 2021, the principal and interest requirements to retire the business-type activities long-term obligations are as follows:

| Year | Revenue Bonds | | | Capital Improvement Bonds | | |
|---|---|---|---|---|---|---|
| Ended | Principal | Interest | Total | Principal | Interest | Total |
| 2022 | $ 315,000 | $ 142,032 | $ 457,032 | $ 105,000 | $ 8,536 | $ 113,536 |
| 2023 | 320,000 | 130,944 | 450,944 | 110,000 | 6,499 | 116,499 |
| 2024 | 330,000 | 119,680 | 449,680 | 110,000 | 4,365 | 114,365 |
| 2025 | 345,000 | 108,064 | 453,064 | 115,000 | 2,231 | 117,231 |
| 2026 | 350,000 | 95,920 | 445,920 | - | - | - |
| 2027- 2031 | 1,945,000 | 285,472 | 2,230,472 | - | - | - |
| 2032 | 430,000 | 15,136 | 445,136 | - | - | - |
| Total | $ 4,035,000 | $ 897,248 | $ 4,932,248 | $ 440,000 | $ 21,631 | $ 461,631 |

| Year | OPWC Loans (direct borrowing) | | | OWDA Loan (direct borrowing) | | |
|---|---|---|---|---|---|---|
| Ended | Principal | Interest | Total | Principal | Interest | Total |
| 2022 | $ 23,204 | $ - | $ 23,204 | $ 1,338,232 | $ 425,100 | $ 1,763,332 |
| 2023 | 23,204 | - | 23,204 | 1,370,632 | 394,845 | 1,765,477 |
| 2024 | 23,205 | - | 23,205 | 1,403,917 | 363,777 | 1,767,694 |
| 2025 | 23,204 | - | 23,204 | 1,438,111 | 331,876 | 1,769,987 |
| 2026 | 23,204 | - | 23,204 | 1,473,242 | 299,114 | 1,772,356 |
| 2027 - 2031 | 116,021 | - | 116,021 | 6,359,324 | 1,007,060 | 7,366,384 |
| 2032 - 2036 | 44,419 | - | 44,419 | 4,553,017 | 532,668 | 5,085,685 |
| 2037 - 2040 | - | - | - | 3,921,565 | 146,983 | 4,068,548 |
| Total | $ 276,461 | $ - | $ 276,461 | $ 21,858,040 | $ 3,501,423 | $ 25,359,463 |

Legal Debt Margins - At December 31, 2021, the City had a legal voted debt margin of $15,118,614 and a legal unvoted debt margin of $8,576,070.

**NOTE 15 - RISK MANAGEMENT**

**A. Property and Liability**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has entered into contracts with various insurance agencies for the following coverages and deductibles:

**NOTE 15 - RISK MANAGEMENT - (Continued)**

| Type of Coverage | Coverage | Deductible |
|---|---|---|
| General Liability | $ 6,000,000 | $ 0 |
| Law Enforcement Liability | 6,000,000 | 5,000 |
| Malicious Act General Aggregate Limit | 1,000,000 | 0 |
| Public Officials Errors and Omissions Liability | 6,000,000 | 5,000 |
| Public Officials Employment Practices Liability | 6,000,000 | 5,000 |
| Employers Liability | 6,000,000 | 0 |
| Employee Benefits Liability | 6,000,000 | 0 |
| Automobile Coverage | 6,000,000 | 1,000 |
| Blanket Building and Personal Property | 116,345,343 | various |
| Specific Building and Personal Property | 5,650,840 | various |
| Equipment Breakdown | 121,996,183 | various |
| Inland Marine | 5,456,993 | 1,000 |
| CyberRisk Aggregate | 1,000,000 | 25,000 |
| Crime Coverage | 715,000 | various |
| Terrorism Property | 100,000,000 | 25,000 |
| Terrorism Liability | 6,000,000 | 10,000 |
| Storage Tank Third-Party Liability | 1,000,000 | 5,000 |

There were no significant reductions in insurance coverage from the prior year, and no insurance settlement has exceeded insurance coverage during the last three years.

All employees of the City are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

**B. Employee Medical Benefits**

Employees have a choice of two insurance plans; a traditional preferred provider organization (PPO) plan and a health savings account (HSA) plan.

The monthly premiums for the PPO plan during the period of January 1, 2021 through March 31, 2021 were $826.83 for single coverage, $1,405.60 for employee/children, $1,736.32 for employee/spouse, and $2,439.12 for family coverage. The monthly premiums for April 2021 through December 2021 were $893.18 for single coverage, $1,518.40 for employee/children, $1,875.66 for employee/spouse, and $2,634.86 for family coverage. The employee share was either 15% or 20% of the premium amount depending on employee group. The PPO plan has an in-network deductible of $1,000 per year for single coverage and $3,000 per year for all other levels of coverage. Maximum out-of-pocket limits for the PPO plan are equal to the in-network deductibles, $1,000 per year for single coverage and $3,000 per year for all other levels of coverage. The PPO plan has no limit on maximum lifetime coverage.

The monthly premiums for the HSA plan during the period of January 1, 2021 through March 31, 2021 were $879.68 for single coverage, $1,496.03 for employee/children, $1,848.21 for employee/spouse, and $2,596.60 for family coverage. The monthly premiums for April 2021 through December 2021 were $949.92 for single coverage, $1,615.76 for employee/children, $1,996.22 for employee/spouse, and $2,804.71 for family coverage. The employee share was 10% or 15% of the premium amount depending on employee group. The HSA plan has an in-network deductible of $1,500 for single coverage and $3,000 for all other levels of coverage. Maximum out-of-pocket limits for the HSA plan are equal to the in-network deductibles, $1,500 per year for single coverage and $3,000 per year for all other levels of coverage. The HSA plan has no limit on maximum lifetime coverage.

**NOTE 15 - RISK MANAGEMENT - (Continued)**

**C. Workers' Compensation**

For 2021, the City participated in the Ohio Municipal League Workers' Compensation Group Retrospective Rating Plan (the "Plan"), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

**NOTE 16 - 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 due to other governments on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the pension disclosures. See Note 17 for the OPEB disclosures.

**NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Plan Description - Ohio Public Employees Retirement System (OPERS)***

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

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

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

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

**NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

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

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

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

**NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was $565,746 for 2021. Of this amount, $12,677 is reported as due to other governments.

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

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

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

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

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

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

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

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

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

**NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

| | Police | Firefighters |
|---|---|---|
| **2021 Statutory Maximum Contribution Rates** | | |
| Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |
| **2021 Actual Contribution Rates** | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-employment Health Care Benefits | 0.50 % | 0.50 % |
| Total Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $425,229 for 2021. Of this amount, $7,943 is reported as due to other governments.

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

The net pension liability and net pension asset for OPERS was measured as of December 31, 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:

| | OPERS - Traditional | OPERS - Combined | OPERS - Member-Directed | OP&F | Total |
|---|---|---|---|---|---|
| Proportion of the net pension liability/asset prior measurement date | 0.025586% | 0.022627% | 0.010383% | 0.079403% | |
| Proportion of the net pension liability/asset current measurement date | 0.025282% | 0.029839% | 0.011165% | 0.078082% | |
| Change in proportionate share | -0.000304% | 0.007212% | 0.000782% | -0.001321% | |
| Proportionate share of the net pension liability | $ 3,743,714 | $ - | $ - | $ 5,322,906 | $ 9,066,620 |
| Proportionate share of the net pension asset | - | (86,134) | (2,035) | - | (88,169) |
| Pension expense | (92,155) | 2,031 | (1,460) | 280,100 | 188,516 |

**NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

| | OPERS - Traditional | OPERS - Combined | OPERS - Member-Directed | OP&F | Total |
|---|---|---|---|---|---|
| **Deferred outflows of resources** | | | | | |
| Differences between expected and actual experience | $ - | $ - | $ 1,395 | $ 222,519 | $ 223,914 |
| Changes of assumptions | - | 5,377 | 59 | 89,267 | 94,703 |
| Changes in employer's proportionate percentage/ difference between employer contributions | 41,410 | - | - | 5,297 | 46,707 |
| Contributions subsequent to the measurement date | 541,648 | 17,639 | 6,459 | 425,229 | 990,975 |
| Total deferred outflows of resources | $ 583,058 | $ 23,016 | $ 7,913 | $ 742,312 | $ 1,356,299 |

| | OPERS - Traditional | OPERS - Combined | OPERS - Member-Directed | OP&F | Total |
|---|---|---|---|---|---|
| **Deferred inflows of resources** | | | | | |
| Differences between expected and actual experience | $ 156,603 | $ 16,246 | $ - | $ 207,362 | $ 380,211 |
| Net difference between projected and actual earnings on pension plan investments | 1,459,193 | 12,809 | 221 | 258,195 | 1,730,418 |
| Changes in employer's proportionate percentage/ difference between employer contributions | 117,531 | - | - | 212,841 | 330,372 |
| Total deferred inflows of resources | $ 1,733,327 | $ 29,055 | $ 221 | $ 678,398 | $ 2,441,001 |

$990,975 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of/increase to the net pension liability/asset in the year ending December 31, 2022.

**NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

| | OPERS - Traditional | OPERS - Combined | OPERS - Member-Directed | OP&F | Total |
|---|---|---|---|---|---|
| Year Ending December 31: | | | | | |
| 2022 | $ (674,514) | $ (6,169) | $ 157 | $ (101,507) | $ (782,033) |
| 2023 | (223,573) | (3,921) | 188 | 53,118 | (174,188) |
| 2024 | (594,815) | (6,869) | 136 | (265,313) | (866,861) |
| 2025 | (199,015) | (3,194) | 168 | (48,088) | (250,129) |
| 2026 | - | (1,370) | 178 | 475 | (717) |
| Thereafter | - | (2,155) | 406 | - | (1,749) |
| Total | $ (1,691,917) | $ (23,678) | $ 1,233 | $ (361,315) | $ (2,075,677) |

***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<br>Post 1/7/2013 retirees: 0.50%, simple<br>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.

**NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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 |
| Total | 100.00 % | 5.43 % |

**NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***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 | $ 7,141,154 | $ 3,743,714 | $ 918,748 |
| Combined Plan | (59,976) | (86,134) | (105,630) |
| Member-Directed Plan | (1,786) | (2,035) | (2,233) |

***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 |

**NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

| Age | Police | Fire |
|---|---|---|
| 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.

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

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

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

**NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

Note: assumptions are geometric.
* levered 2x
** numbers include inflation

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

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

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| City's proportionate share of the net pension liability | $ 7,410,168 | $ 5,322,906 | $ 3,576,080 |

## NOTE 17 - DEFINED BENEFIT OPEB PLANS

***Net OPEB Liability/Asset***

See Note 16 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.

**NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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 $2,583 for 2021. Of this amount, $58 is reported as due to other governments.

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

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

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

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.

**NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

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

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

The City's contractually required contribution to OP&F was $10,101 for 2021. Of this amount, $189 is reported as due to other governments.

***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.

**NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

| | OPERS | OP&F | Total |
|---|---|---|---|
| Proportion of the net OPEB liability prior measurement date | 0.024904% | 0.079403% | |
| Proportion of the net OPEB liability/asset current measurement date | 0.024858% | 0.078082% | |
| Change in proportionate share | -0.000046% | -0.001321% | |
| Proportionate share of the net OPEB liability | $ - | $ 827,289 | $ 827,289 |
| Proportionate share of the net OPEB asset | (442,866) | - | (442,866) |
| OPEB expense | (2,751,074) | 60,830 | (2,690,244) |

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

| | OPERS | OP&F | Total |
|---|---|---|---|
| **Deferred outflows of resources** | | | |
| Changes of assumptions | $ 217,719 | $ 457,035 | $ 674,754 |
| Changes in employer's proportionate percentage/ difference between employer contributions | 38,107 | 2,232 | 40,339 |
| Contributions subsequent to the measurement date | 2,583 | 10,101 | 12,684 |
| Total deferred outflows of resources | $ 258,409 | $ 469,368 | $ 727,777 |

**NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)**

| | OPERS | OP&F | Total |
|---|---|---|---|
| **Deferred inflows of resources** | | | |
| Differences between expected and actual experience | $ 399,682 | $ 136,459 | $ 536,141 |
| Net difference between projected and actual earnings on OPEB plan investments | 235,875 | 30,745 | 266,620 |
| Changes of assumptions | 717,573 | 131,886 | 849,459 |
| Changes in employer's proportionate percentage/ difference between employer contributions | 52,825 | 67,693 | 120,518 |
| Total deferred inflows of resources | $ 1,405,955 | $ 366,783 | $ 1,772,738 |

$12,684 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of/increase to the net OPEB liability/asset in the year ending December 31, 2022.

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

| | OPERS | OP&F | Total |
|---|---|---|---|
| Year Ending December 31: | | | |
| 2022 | $ (605,191) | $ 17,192 | $ (587,999) |
| 2023 | (414,646) | 24,469 | (390,177) |
| 2024 | (102,500) | 12,995 | (89,505) |
| 2025 | (27,792) | 17,169 | (10,623) |
| 2026 | - | 10,553 | 10,553 |
| Thereafter | - | 10,106 | 10,106 |
| Total | $ (1,150,129) | $ 92,484 | $ (1,057,645) |

***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.

**NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

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

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

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

**NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

***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.

**NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| City's proportionate share of the net OPEB asset | $ 110,121 | $ 442,866 | $ 716,408 |

***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 | $ 453,659 | $ 442,866 | $ 430,789 |

***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.

**NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

| Age | Police | Fire |
|---|---|---|
| 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.

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

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

The long-term expected rate of return on 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.

**NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

Note: assumptions are geometric.
* levered 2.5x
** numbers include inflation

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

***Discount Rate -*** For 2020, the total OPEB liability was calculated using the discount rate of 2.96%. For 2019, the total OPEB liability was calculated using the discount rate of 3.56%. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.00%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.12% at December 31, 2020 and 2.75% at December 31, 2019, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 2.96% for 2020 and 3.56% for 2019. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, and the municipal bond rate was applied to all health care costs after that date.

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

**NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)**

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| City's proportionate share of the net OPEB liability | $ 1,031,583 | $ 827,289 | $ 658,771 |

***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 18 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

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

(d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);

(e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,

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

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

| | General fund |
|---|---|
| Budget basis | $ (576,695) |
| Net adjustment for revenue accruals | (56,736) |
| Net adjustment for expenditure accruals | 467,203 |
| Net adjustment for other sources/uses | (2,825,534) |
| Funds budgeted elsewhere | (76,742) |
| Adjustment for encumbrances | 423,365 |
| GAAP basis | $ (2,645,139) |

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the unclaimed monies fund, the street opening trust fund, the demolition trust fund, and the rent deposit trust fund.

**NOTE 19 - RESTRICTED ASSETS**

Refundable electric customer deposits at December 31, 2021 in the amount of $424,412 are presented as restricted assets (refundable cash deposits) on the proprietary fund statement of net position in the electric fund, and in the business-type activities column of the statement of net position. The City also has permissive tax monies on deposit with Auglaize County at December 31, 2021 in the amount of $10,330 presented as restricted assets (cash with fiscal agent) on the governmental fund balance sheet in the motor vehicle permissive tax fund (a nonmajor governmental fund), and in the governmental activities column of the statement of net position.

**NOTE 20 - LANDFILL CLOSURE/POSTCLOSURE COSTS**

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City closed the landfill during 2004. The liability reported at December 31, 2021, of $1,743,489 represents the estimated remaining postclosure care costs. This amount represents an estimate of what it would cost to perform all postclosure care at December 31, 2021. However, actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE 21 - LOANS PAYABLE**

During 2021, the CIC loaned the City of St. Marys $50,000 for the Doseck house purchase. This loan was repaid by December 31, 2021.

## NOTE 22 - CONTRACTUAL COMMITMENTS

At December 31, 2021, the City had the following contractual commitments:

| Contractor | Contract Amount | Amount Paid | Contract Balance |
|---|---|---|---|
| Spectrum Engineering | $ 95,400 | $ (90,630) | $ 4,770 |
| Strand Associates | 93,485 | (41,958) | 51,527 |
| Consolidated Appraisal Services | 8,000 | (7,000) | 1,000 |
| O.R. Colan Associates | 38,308 | (32,972) | 5,336 |
| DGL Consulting Engineers | 34,395 | (24,423) | 9,972 |
| Garmann-Miller | 44,750 | (33,563) | 11,187 |
| Arcadis | 1,151,042 | (889,292) | 261,750 |
| Beaverdam Contracting, Inc. | 591,902 | (116,985) | 474,917 |
| Delta Star, Inc. | 653,478 | (651,368) | 2,110 |
| Total contractual commitments | $ 2,710,760 | $ (1,888,191) | $ 822,569 |

## NOTE 23 - CONTINGENCIES

### A. Grants

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

### B. Litigation

The City is not currently a party to any legal proceedings that would have a materially adverse effect on the financial statements at December 31, 2021.

## NOTE 24 - OTHER COMMITMENTS

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

| Fund | Year End Encumbrances |
|---|---|
| General fund | $ 405,524 |
| Capital improvement fund | 1,139,448 |
| Nonmajor governmental funds | 748,815 |
| Total | $ 2,293,787 |

## NOTE 25 - 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 nonmajor governmental funds are presented below:

| Fund Balance | General | Capital Improvement | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| Nonspendable: | | | | |
| Prepayments | $ 112,345 | $ 156 | $ 28,540 | $ 141,041 |
| Materials and supplies inventory | 116,890 | - | 30,241 | 147,131 |
| Unclaimed monies | 6,244 | - | - | 6,244 |
| Total nonspendable | 235,479 | 156 | 58,781 | 294,416 |
| Restricted: | | | | |
| Capital projects | - | 1,200,000 | 807,201 | 2,007,201 |
| Debt service | - | - | 16,116 | 16,116 |
| Transportation projects | - | - | 1,558,044 | 1,558,044 |
| Community improvements | - | - | 1,037,153 | 1,037,153 |
| Other purposes | - | - | 47,053 | 47,053 |
| Total restricted | - | 1,200,000 | 3,465,567 | 4,665,567 |
| Committed: | | | | |
| Capital projects | - | 990,131 | 830 | 990,961 |
| Leisure time activity | - | - | 24,638 | 24,638 |
| Total committed | - | 990,131 | 25,468 | 1,015,599 |
| Assigned: | | | | |
| General government | 53,271 | - | - | 53,271 |
| Security of persons and property | 326,706 | - | - | 326,706 |
| Community environment | 3,510 | - | - | 3,510 |
| Leisure time activity | 15,793 | - | - | 15,793 |
| Total assigned | 399,280 | - | - | 399,280 |
| Unassigned (deficit) | 883,773 | - | (46,122) | 837,651 |
| Total fund balances | $ 1,518,532 | $ 2,190,287 | $ 3,503,694 | $ 7,212,513 |

## NOTE 26 - TAX ABATEMENTS

As of December 31, 2021, the City provides tax abatements through a Community Reinvestment Area (CRA). This program relates 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. The amount of taxes forgone for 2021 was $25,151.

## NOTE 27 - COMMUNITY IMPROVEMENT CORPORATION OF ST. MARYS

The Community Improvement Corporation of St. Marys (the "CIC") was formed pursuant to Resolution No. 753 passed January 10, 1967 and incorporated as a corporation not-for-profit under Title XVII, Chapters 1702 and 1724 of the Ohio Revised Code for the purpose to advance, encourage, and promote industrial, economic, commercial and civic development of Auglaize County (the "County") and the City of St. Marys (the "City") for the industrial, commercial, distribution, and research development in such political subdivisions in accordance with Section 1724.10 of the Ohio Revised Code. A nineteen-member Board of Trustees plus one ex-officio member has been established for the oversight of the operations. The CIC is a legally separate entity and the City appoints a voting majority of the CIC's Board of Trustees. The City can impose its will on the CIC and the CIC provides services entirely or almost entirely to the City. The City is not the sole corporate member of the CIC. Therefore, the CIC is considered a discretely presented component unit of the City of St. Marys.

### Summary of Significant Accounting Policies

The basic financial statements of the CIC have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The CIC's significant accounting policies are described below.

### A. Basis of Accounting

The financial statements of the CIC are prepared using the accrual basis of accounting.

### B. Basis of Presentation

The CIC's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

The CIC distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the CIC's principal ongoing operation. The principal operating revenues of the CIC are contributions from the City, membership fees and rental income. Operating expenses for the CIC primarily include contractual services. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. Nonoperating revenues consist of interest income.

**NOTE 27 - COMMUNITY IMPROVEMENT CORPORATION OF ST. MARYS - (Continued)**

**C. Cash**

All cash in the CIC's checking and savings accounts are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

The CIC had no investments outstanding at December 31, 2021.

**D. Capital Assets and Depreciation**

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

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

| | |
|---|---|
| Buildings | 40 years |
| Land lease improvements | 20 years |

**E. Long-Term Obligations**

The CIC has recognized certain expenses due, but unpaid as of December 31, 2021. These expenses are reported as long-term obligations in the accompanying financial statements.

**F. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The CIC has no restricted net position.

**G. Estimates**

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

**Deposits**

Deposits - At December 31, 2021, the carrying amount and bank balance of the CIC's deposits was $87,304. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2021, the entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

**NOTE 27 - COMMUNITY IMPROVEMENT CORPORATION OF ST. MARYS - (Continued)**

**Capital Assets**

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

| | Balance 12/31/20 | Additions | Deductions | Balance 12/31/21 |
|---|---|---|---|---|
| *Capital assets, not being depreciated:* | | | | |
| Land | $ 21,498 | $ - | $ - | $ 21,498 |
| *Depreciable capital assets:* | | | | |
| Buildings | 108,502 | - | - | 108,502 |
| Land lease improvements | 213,116 | 26,762 | - | 239,878 |
| Total depreciable capital assets | 321,618 | 26,762 | - | 348,380 |
| *Less: accumulated depreciation:* | | | | |
| Buildings | (14,920) | (2,713) | - | (17,633) |
| Land lease improvements | (100,104) | (11,994) | - | (112,098) |
| Total accumulated depreciation | (115,024) | (14,707) | - | (129,731) |
| Total depreciable capital assets, net | 206,594 | 12,055 | - | 218,649 |
| Total capital assets, net | $ 228,092 | $ 12,055 | $ - | $ 240,147 |

**Notes Receivable**

On August 13, 2010, the CIC entered into a purchase contract with Gregory A. Ferrell and Kendra E. Ferrell. The unpaid balance of the purchase contract at December 31, 2021, is $910 and has been reported as a note receivable on the financial statements.

**Loans Receivable**

During 2021, the CIC loaned the City of St. Marys $50,000 for the Doseck house purchase. This loan was repaid by December 31, 2021.

**Notes Payable**

On October 1, 2010, the City loaned the CIC $150,000 for the purpose of renovations to the storefronts of the Fort Barbee building. The CIC is required to make quarterly payments of $3,500 comprised of principal and interest beginning in January 2011 with the remaining unpaid principal balance due on or before October 15, 2030. The notes bear an interest rate of 1.00%. This loan was restructured in 2020. The balance of the original loan at 12/31/2020 was $65,099.19 and is now to be repaid through quarterly payments of $3,500.00. The original loan they started making quarterly payments of $3,500.00 on in April of 2018 (instead of quarterly payments of $2,071.09).

On August 1, 2015, the City loaned the CIC $130,000 for the purpose of acquiring the property at 207 E. Spring Street. The CIC is required to make 60 quarterly payments of $2,379 comprised of principal and interest beginning in November 2015 with the remaining unpaid principal balance due on or before August 1, 2030. The notes bear an interest rate of 1.25%.

**NOTE 27 - COMMUNITY IMPROVEMENT CORPORATION OF ST. MARYS - (Continued)**

The notes are considered direct borrowings that have terms negotiated directly between the CIC and the City and are not offered for public sale. In the event of default in payment of any of the installments or interest due as provided in the notes, the City may without notice or demand declare the entire principal sum unpaid and immediately due and payable.

A summary of the notes payable activity during 2021 follows:

| Loan | Balance 12/31/2020 | Issued | Retired | Balance 12/31/2021 | Amounts Due in One Year |
|---|---|---|---|---|---|
| Fort Barbee renovations | $ 65,098 | $ - | $ (13,378) | $ 51,720 | $ 13,553 |
| 207 E. Spring Street property | 87,212 | - | (8,438) | 78,774 | 8,659 |
| Notes payable | $ 152,310 | $ - | $ (21,816) | $ 130,494 | $ 22,212 |

Principal and interest requirements to retire the notes payable at December 31, 2021, are as follows:

| Year Ending December 31, | Notes Payable Principal | Interest | Total |
|---|---|---|---|
| 2022 | $ 22,212 | $ 1,306 | $ 23,518 |
| 2023 | 22,350 | 1,168 | 23,518 |
| 2024 | 22,597 | 921 | 23,518 |
| 2025 | 19,592 | 671 | 20,263 |
| 2026 | 9,012 | 506 | 9,518 |
| 2027 - 2030 | 34,731 | 868 | 35,599 |
| Total | $ 130,494 | $ 5,440 | $ 135,934 |

**Operating Lease**

On June 30, 2010, the CIC entered into a lease agreement with The Fort Barbee Riverview Limited Partnership (the "Lessor") for the first floor storefronts and part of the basement located at 100, 104 and 110 West Spring Street of the Fort Barbee Hotel Building. The terms of the lease are for ten years beginning July 1, 2010 and ending June 30, 2020. Provided that the CIC is not in default of the lease, the CIC shall have the opportunity to extend the lease for two additional five-year periods. The CIC renewed the lease for an additional five years beginning July 1, 2020 and ending June 30, 2025. The CIC shall pay $5,000 annually in quarterly installments of $1,250 due on January 1, April 1, July 1 and October 1 and shall be pro-rated for the first and last years of the lease agreement. The rental payments shall be paid directly to the City's revolving loan fund to satisfy the lessor's annual obligation to repay loan obligations due to the City. No payments under the lease agreement shall be made directly to the Lessor unless the mortgage is paid in full prior to the expiration of the lease term.

| Year Ending December 31, | Minimum Lease Payments |
|---|---|
| 2022 | $ 5,000 |
| 2023 | 5,000 |
| 2024 | 5,000 |
| 2025 | 2,500 |

**NOTE 27 - COMMUNITY IMPROVEMENT CORPORATION OF ST. MARYS - (Continued)**

**Contributions from City of St. Marys**

During 2021, the CIC received $6,415 in contributions from the City.

**Risk Management**

The CIC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For 2021, the CIC had commercial property and commercial general liability coverage through the Cincinnati Insurance Company.

**Litigation**

The CIC is involved in no material litigation as either plaintiff or defendant.

**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 CIC received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the CIC. The impact on the CIC's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**Tax Exempt Status**

The CIC was established as a nonprofit corporation pursuant to Ohio Rev. Code Chapters 3314 and 1702 on January 10, 1967. The CIC has not filed for tax exempt status under Section 501(c)(3) of the Internal Revenue Code. The CIC has made no provision for any potential future tax liability which could result from not obtaining the Section 501(c)(3) tax exempt status. Additionally, donors cannot deduct contributions unless a Corporation has an exemption.

**NOTE 28 - COVID-19**

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

**NOTE 29 - SIGNIFICANT SUBSEQUENT EVENTS**

The City issued various purpose notes, series 2022 for $3,585,000 on March 1, 2022, at an interest rate of 1.22% and a maturity date of March 1, 2023. These short-term notes retired the $1,200,000 municipal building notes issued in 2021 and repaid the interfund loans to the general fund of $866,045 and $1,500,000 from the electric fund and the refuse fund (a nonmajor enterprise fund), respectively.

# REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ST. MARYS**
**AUGLAIZE 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

| | **2021** | **2020** | **2019** | **2018** |
|---|---|---|---|---|
| *Traditional Plan:* | | | | |
| City's proportion of the net pension liability | 0.025282% | 0.025586% | 0.026098% | 0.027752% |
| City's proportionate share of the net pension liability | $ 3,743,714 | $ 5,057,245 | $ 7,147,713 | $ 4,353,752 |
| City's covered payroll | $ 3,527,221 | $ 3,628,264 | $ 3,536,171 | $ 3,671,808 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 106.14% | 139.38% | 202.13% | 118.57% |
| Plan fiduciary net position as a percentage of the total pension liability | 86.88% | 82.17% | 74.70% | 84.66% |
| *Combined Plan:* | | | | |
| City's proportion of the net pension asset | 0.029839% | 0.022627% | 0.022306% | 0.024008% |
| City's proportionate share of the net pension asset | $ 86,134 | $ 47,184 | $ 24,943 | $ 32,683 |
| City's covered payroll | $ 131,500 | $ 100,721 | $ 95,400 | $ 98,323 |
| City's proportionate share of the net pension asset as a percentage of its covered payroll | 65.50% | 46.85% | 26.15% | 33.24% |
| Plan fiduciary net position as a percentage of the total pension asset | 157.67% | 145.28% | 126.64% | 137.28% |
| *Member Directed Plan:* | | | | |
| City's proportion of the net pension asset | 0.011165% | 0.010383% | 0.003518% | 0.002772% |
| City's proportionate share of the net pension asset | $ 2,035 | $ 392 | $ 80 | $ 97 |
| City's covered payroll | $ 67,060 | $ 58,710 | $ 20,110 | $ 15,190 |
| City's proportionate share of the net pension asset as a percentage of its covered payroll | 3.03% | 0.67% | 0.40% | 0.64% |
| Plan fiduciary net position as a percentage of the total pension asset | 188.21% | 118.84% | 113.42% | 124.46% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|
| 0.027246% | 0.028031% | 0.029195% | 0.029195% |
| $ 6,187,103 | $ 4,855,323 | $ 3,521,243 | $ 3,441,710 |
| $ 3,519,742 | $ 3,442,967 | $ 3,586,158 | $ 3,441,600 |
| 175.78% | 141.02% | 98.19% | 100.00% |
| 77.25% | 81.08% | 86.45% | 86.36% |
| 0.021753% | 0.014350% | 0.014791% | 0.014791% |
| $ 12,108 | $ 6,983 | $ 5,694 | $ 1,552 |
| $ 84,675 | $ 51,708 | $ 54,067 | $ 48,292 |
| 14.30% | 13.50% | 10.53% | 3.21% |
| 116.55% | 116.90% | 114.83% | 104.56% |
| 0.002962% | 0.003142% | n/a | n/a |
| $ 12 | $ 12 | n/a | n/a |
| $ 15,375 | $ 17,500 | n/a | n/a |
| 0.08% | 0.07% | n/a | n/a |
| 103.40% | 103.91% | n/a | n/a |

**CITY OF ST. MARYS**
**AUGLAIZE 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

| | **2021** | **2020** | **2019** | **2018** |
|---|---|---|---|---|
| City's proportion of the net pension liability | 0.078082% | 0.079403% | 0.080448% | 0.082245% |
| City's proportionate share of the net pension liability | $ 5,322,906 | $ 5,348,977 | $ 6,566,683 | $ 5,047,794 |
| City's covered payroll | $ 1,889,279 | $ 1,907,531 | $ 1,832,674 | $ 1,807,580 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 281.74% | 280.41% | 358.31% | 279.26% |
| 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

| 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|
| 0.082012% | 0.085363% | 0.093294% | 0.093294% |
| $ 5,194,520 | $ 5,491,504 | $ 4,833,003 | $ 4,543,695 |
| $ 1,780,107 | $ 1,701,067 | $ 1,864,407 | $ 1,706,163 |
| 291.81% | 322.83% | 259.22% | 266.31% |
| 68.36% | 66.77% | 72.20% | 73.00% |

**CITY OF ST. MARYS**
**AUGLAIZE COUNTY**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| *Traditional Plan:* | | | | |
| Contractually required contribution | $ 541,648 | $ 493,811 | $ 507,957 | $ 495,064 |
| Contributions in relation to the contractually required contribution | (541,648) | (493,811) | (507,957) | (495,064) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| City's covered payroll | $ 3,868,914 | $ 3,527,221 | $ 3,628,264 | $ 3,536,171 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 14.00% | 14.00% |
| *Combined Plan:* | | | | |
| Contractually required contribution | $ 17,639 | $ 18,410 | $ 14,101 | $ 13,356 |
| Contributions in relation to the contractually required contribution | (17,639) | (18,410) | (14,101) | (13,356) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| City's covered payroll | $ 125,993 | $ 131,500 | $ 100,721 | $ 95,400 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 14.00% | 14.00% |
| *Member Directed Plan:* | | | | |
| Contractually required contribution | $ 6,459 | $ 6,706 | $ 5,871 | $ 2,011 |
| Contributions in relation to the contractually required contribution | (6,459) | (6,706) | (5,871) | (2,011) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| City's covered payroll | $ 64,590 | $ 67,060 | $ 58,710 | $ 20,110 |
| Contributions as a percentage of covered payroll | 10.00% | 10.00% | 10.00% | 10.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| $ 477,335 | $ 422,369 | $ 413,156 | $ 430,339 | $ 447,408 | $ 345,108 |
| (477,335) | (422,369) | (413,156) | (430,339) | (447,408) | (345,108) |
| $ - | $ - | $ - | $ - | $ - | $ - |
| $ 3,671,808 | $ 3,519,742 | $ 3,442,967 | $ 3,586,158 | $ 3,441,600 | $ 3,451,080 |
| 13.00% | 12.00% | 12.00% | 12.00% | 13.00% | 10.00% |
| $ 12,782 | $ 10,161 | $ 6,205 | $ 6,488 | $ 6,278 | $ 4,064 |
| (12,782) | (10,161) | (6,205) | (6,488) | (6,278) | (4,064) |
| $ - | $ - | $ - | $ - | $ - | $ - |
| $ 98,323 | $ 84,675 | $ 51,708 | $ 54,067 | $ 48,292 | $ 51,119 |
| 13.00% | 12.00% | 12.00% | 12.00% | 13.00% | 7.95% |
| $ 1,519 | $ 1,845 | $ 2,100 | | | |
| (1,519) | (1,845) | (2,100) | | | |
| $ - | $ - | $ - | | | |
| $ 15,190 | $ 19,421 | $ 22,105 | | | |
| 10.00% | 9.50% | 9.50% | | | |

**CITY OF ST. MARYS**
**AUGLAIZE COUNTY**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| *Police:* | | | | |
| Contractually required contribution | $ 209,061 | $ 198,388 | $ 197,139 | $ 186,350 |
| Contributions in relation to the contractually required contribution | (209,061) | (198,388) | (197,139) | (186,350) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| City's covered payroll | $ 1,100,321 | $ 1,044,147 | $ 1,037,574 | $ 980,789 |
| Contributions as a percentage of covered payroll | 19.00% | 19.00% | 19.00% | 19.00% |
| *Fire:* | | | | |
| Contractually required contribution | $ 216,168 | $ 198,606 | $ 204,440 | $ 200,193 |
| Contributions in relation to the contractually required contribution | (216,168) | (198,606) | (204,440) | (200,193) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| City's covered payroll | $ 919,864 | $ 845,132 | $ 869,957 | $ 851,885 |
| Contributions as a percentage of covered payroll | 23.50% | 23.50% | 23.50% | 23.50% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| $ 183,102 | $ 178,621 | $ 172,937 | $ 194,200 | $ 146,350 | $ 120,533 |
| (183,102) | (178,621) | (172,937) | (194,200) | (146,350) | (120,533) |
| $ - | $ - | $ - | $ - | $ - | $ - |
| $ 963,695 | $ 940,111 | $ 910,195 | $ 1,022,105 | $ 921,406 | $ 945,357 |
| 19.00% | 19.00% | 19.00% | 19.00% | 15.88% | 12.75% |
| $ 198,313 | $ 197,399 | $ 185,855 | $ 197,941 | $ 159,894 | $ 134,482 |
| (198,313) | (197,399) | (185,855) | (197,941) | (159,894) | (134,482) |
| $ - | $ - | $ - | $ - | $ - | $ - |
| $ 843,885 | $ 839,996 | $ 790,872 | $ 842,302 | $ 784,435 | $ 779,606 |
| 23.50% | 23.50% | 23.50% | 23.50% | 20.38% | 17.25% |

**CITY OF ST. MARYS**
**AUGLAIZE 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

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| City's proportion of the net OPEB liability/asset | 0.024858% | 0.024904% | 0.025098% | 0.026690% | 0.026117% |
| City's proportionate share of the net OPEB liability/(asset) | $ (442,866) | $ 3,439,890 | $ 3,272,187 | $ 2,898,336 | $ 2,637,921 |
| City's covered payroll | $ 3,725,781 | $ 3,787,695 | $ 3,651,681 | $ 3,785,321 | $ 3,623,838 |
| City's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll | 11.89% | 90.82% | 89.61% | 76.57% | 72.79% |
| Plan fiduciary net position as a percentage of the total OPEB liability/asset | 115.57% | 47.80% | 46.33% | 54.14% | 54.05% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ST. MARYS**
**AUGLAIZE 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 FIVE YEARS

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| City's proportion of the net OPEB liability | 0.078082% | 0.079403% | 0.080448% | 0.082245% | 0.082012% |
| City's proportionate share of the net OPEB liability | $ 827,289 | $ 784,316 | $ 732,602 | $ 4,659,920 | $ 3,892,925 |
| City's covered payroll | $ 1,889,279 | $ 1,907,531 | $ 1,832,674 | $ 1,807,580 | $ 1,780,107 |
| City's proportionate share of the net OPEB liability as a percentage of its covered payroll | 43.79% | 41.12% | 39.97% | 257.80% | 218.69% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 45.42% | 47.08% | 46.57% | 14.13% | 15.96% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ST. MARYS**
**AUGLAIZE 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 | $ 2,583 | $ 2,682 | $ 2,348 | $ 805 |
| Contributions in relation to the contractually required contribution | (2,583) | (2,682) | (2,348) | (805) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| City's covered payroll | $ 4,059,497 | $ 3,725,781 | $ 3,787,695 | $ 3,651,681 |
| Contributions as a percentage of covered payroll | 0.06% | 0.07% | 0.06% | 0.02% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| $ 38,309 | $ 72,397 | $ 69,894 | $ 72,642 | $ 34,884 | $ 141,126 |
| (38,309) | (72,397) | (69,894) | (72,642) | (34,884) | (141,126) |
| $ - | $ - | $ - | $ - | $ - | $ - |
| $ 3,785,321 | $ 3,623,838 | $ 3,516,780 | $ 3,640,225 | $ 3,489,892 | $ 3,502,199 |
| 1.01% | 2.00% | 1.99% | 2.00% | 1.00% | 4.03% |

**CITY OF ST. MARYS**
**AUGLAIZE COUNTY**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| *Police:* | | | | |
| Contractually required contribution | $ 5,502 | $ 5,221 | $ 5,188 | $ 4,904 |
| Contributions in relation to the contractually required contribution | (5,502) | (5,221) | (5,188) | (4,904) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| City's covered payroll | $ 1,100,321 | $ 1,044,147 | $ 1,037,574 | $ 980,789 |
| Contributions as a percentage of covered payroll | 0.50% | 0.50% | 0.50% | 0.50% |
| *Fire:* | | | | |
| Contractually required contribution | $ 4,599 | $ 4,226 | $ 4,350 | $ 4,259 |
| Contributions in relation to the contractually required contribution | (4,599) | (4,226) | (4,350) | (4,259) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| City's covered payroll | $ 919,864 | $ 845,132 | $ 869,957 | $ 851,885 |
| Contributions as a percentage of covered payroll | 0.50% | 0.50% | 0.50% | 0.50% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| $ 4,818 | $ 4,701 | $ 4,674 | $ 4,808 | $ 32,626 | $ 63,812 |
| (4,818) | (4,701) | (4,674) | (4,808) | (32,626) | (63,812) |
| $ - | $ - | $ - | $ - | $ - | $ - |
| $ 963,695 | $ 940,111 | $ 910,195 | $ 1,022,105 | $ 921,406 | $ 945,357 |
| 0.50% | 0.50% | 0.50% | 0.50% | 3.62% | 6.75% |
| $ 4,219 | $ 4,200 | $ 3,954 | $ 4,122 | $ 27,932 | $ 52,624 |
| (4,219) | (4,200) | (3,954) | (4,122) | (27,932) | (52,624) |
| $ - | $ - | $ - | $ - | $ - | $ - |
| $ 843,885 | $ 839,996 | $ 790,872 | $ 842,302 | $ 784,435 | $ 779,606 |
| 0.50% | 0.50% | 0.50% | 0.50% | 3.62% | 6.75% |

## PENSION

### *OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms*:

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

*Changes in assumptions*:

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

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

*Changes in benefit terms*:

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

*Changes in assumptions*:

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

(Continued)

## OTHER POSTEMPLOYMENT BENEFITS (OPEB)

### *OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms*:

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

*Changes in assumptions*:

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

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

*Changes in benefit terms*:

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

*Changes in assumptions*:

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

# SUPPLEMENTARY INFORMATION

**CITY OF ST. MARYS**
**AUGLAIZE COUNTY, OHIO**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM/CLUSTER TITLE | PASS-THROUGH ENTITY IDENTIFYING NUMBER / ADDITIONAL AWARD IDENTIFICATION | ASSISTANCE LISTING NUMBER | PASSED THROUGH TO SUBRECIPIENTS | TOTAL FEDERAL EXPENDITURES |
|---|---|---|---|---|
| **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | | |
| ***Direct*** | | | | |
| COVID-19 - Provider Relief Fund | COVID-19 - HHS-36560187865 | 93.498 | $ - | $ 11,597 |
| **Total U.S. Department of Health and Human Services** | | | - | 11,597 |
| **U.S. DEPARTMENT OF HOMELAND SECURITY** | | | | |
| ***Passed Through Ohio Emergency Management Agency*** | | | | |
| Hazard Mitigation Grant Program | FEMA-DR-4360-OH | 97.039 | - | 963,736 |
| **Total U.S. Department of Homeland Security** | | | - | 963,736 |
| **Total Expenditures of Federal Awards** | | | $ - | $ 975,333 |

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

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

## NOTE 1 – BASIS OF PRESENTATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of St. Marys (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. Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be limited to as to reimbursement.

## NOTE 2 – DE MINIMIS INDIRECT COST RATE

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

Julian & Grube

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

City of St. Marys
Auglaize County
101 East Spring Street
St. Marys, OH 45885

To the Members of the City Council and Mayor:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of St. Marys, Auglaize County, Ohio, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of St. Marys' basic financial statements, and have issued our report thereon dated September 27, 2022, wherein we noted as described in Note 28 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

**Report on Internal Control over Financial Reporting**

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

Julian & Grube, Inc.

Julian & Grube, Inc.
September 27, 2022

Julian & Grube

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614-846-1899

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**Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

City of St. Marys
Auglaize County
101 East Spring Street
St. Marys, OH 45885

To the Members of Council and Mayor:

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of St. Marys' 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 each of the City of St. Marys' major federal programs for the year ended December 31, 2021. The City of St. Marys' major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

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

***Basis for Opinion on Each 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 of St. Marys 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 each major federal program. Our audit does not provide a legal determination of the City of St. Marys' compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

The City of St. Marys' 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 of St. Marys' 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 of St. Marys' 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 of St. Marys' compliance with the requirements of each 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 of St. Marys' 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 of St. Marys' 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 of St. Marys' 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 a 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 that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Julian & Grube, Inc.

Julian & Grube, Inc.
September 27, 2022

**CITY OF ST. MARYS**
**AUGLAIZE COUNTY, OHIO**

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

| **1. SUMMARY OF AUDITOR'S RESULTS** | | |
|---|---|---|
| *(d)(1)(i)* | *Type of Financial Statement Opinion* | Unmodified |
| *(d)(1)(*ii) | *Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?* | No |
| *(d)(1)(ii)* | *Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?* | No |
| *(d)(1)(iii)* | *Was there any reported material noncompliance at the financial statement level (GAGAS)?* | No |
| *(d)(1)(iv)* | *Were there any material weaknesses in internal control reported for major federal programs?* | No |
| *(d)(1)(iv)* | *Were there any significant deficiencies in internal control reported for major federal programs?* | No |
| *(d)(1)(v)* | *Type of Major Program's Compliance Opinion* | Unmodified |
| *(d)(1)(vi)* | *Are there any reportable findings under 2 CFR § 200.516(a)?* | No |
| *(d)(1)(vii)* | *Major Program(s) (listed):* | Hazard Mitigation Grant Program (ALN 97.039) |
| *(d)(1)(viii)* | *Dollar Threshold: Type A/B Programs* | Type A: > $750,000<br>Type B: all others |
| *(d)(1)(ix)* | *Low Risk Auditee under 2 CFR § 200.520?* | No |

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

None.

## 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**CITY OF ST. MARYS**
**AUGLAIZE COUNTY, OHIO**

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

| Finding Number | Year Initially Occurred | Finding Summary | Status | Additional Information |
|---|---|---|---|---|
| 2020-001 | 2019 | Material Weakness/Noncompliance – Other - 2 CFR §200.510(b) requires the auditee to prepare a schedule of expenditures of federal awards (the "Schedule") as well as the minimum requirements for information, as applicable, which must be included within the Schedule and related noted. Subsequent to the original issuance of the 2020 audit report on August 27, 2021, it was determined that the City materially misstated their Schedule by the exclusion of the Grants for Drinking Water State Revolving Funds (ALN 66.468), in the amount of $2,838,780. | Corrected | N/A |

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OHIO AUDITOR OF STATE
**KEITH FABER**

**CITY OF ST. MARYS**

**AUGLAIZE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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

**Certified for Release 11/29/2022**

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