



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF WAUSEON
FULTON COUNTY
DECEMBER 31, 2019**

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CITY OF WAUSEON
FULTON COUNTY
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wauseon, Fulton County, Ohio (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wauseon, Fulton County, Ohio, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. We did not modify our opinion regarding this matter.

As discussed in Note 18 to the financial statements, the City has suffered recurring losses from operations and a cash fund balance deficiency in the General fund of \$302,267. Note 18 also describes management's evaluation of the events and conditions and their plan to mitigate these matters. Our opinion is unmodified regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2020, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

November 24, 2020

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CITY OF WAUSEON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2019

Unaudited

The discussion and analysis of the City of Wauseon's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2019 are as follows:

- ❑ In total, net position increased \$1,327,306. Net position of governmental activities increased \$1,744,583, which represents a 14% change from 2018. Net position of business-type activities decreased \$417,277 or approximately 3% from 2018.
- ❑ General revenues accounted for \$5,018,443 in revenue or 50% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,929,887, 50% of total revenues of \$9,948,330.
- ❑ The City had \$4,957,015 in expenses related to governmental activities; only \$1,760,317 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$4,941,281 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$4,778,434 in revenues and \$5,356,642 in expenditures. The general fund's fund balance decreased from \$617,554 to \$36,188.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

CITY OF WAUSEON, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2019*

Unaudited

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

CITY OF WAUSEON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2019

Unaudited

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net position for 2019 compared to 2018.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$6,160,535	\$6,658,623	\$4,099,000	\$4,969,994	\$10,259,535	\$11,628,617
Capital Assets, Net	16,988,565	17,083,660	15,581,378	15,541,154	32,569,943	32,624,814
Total Assets	<u>23,149,100</u>	<u>23,742,283</u>	<u>19,680,378</u>	<u>20,511,148</u>	<u>42,829,478</u>	<u>44,253,431</u>
Deferred Outflows of Resources	3,864,486	2,214,972	520,729	258,837	4,385,215	2,473,809
Net Pension Liability	7,597,816	4,879,718	1,558,144	877,800	9,155,960	5,757,518
Net OPEB Liability	1,668,768	4,199,582	732,705	607,364	2,401,473	4,806,946
Long-term Liabilities	2,401,346	2,830,574	2,675,896	3,030,490	5,077,242	5,861,064
Other Liabilities	162,959	250,078	76,194	436,098	239,153	686,176
Total Liabilities	<u>11,830,889</u>	<u>12,159,952</u>	<u>5,042,939</u>	<u>4,951,752</u>	<u>16,873,828</u>	<u>17,111,704</u>
Deferred Inflows of Resources	808,231	1,167,420	24,204	266,992	832,435	1,434,412
Net Position						
Net Investment in Capital Assets	14,913,565	14,578,660	13,034,056	12,315,926	27,947,621	26,894,586
Restricted	2,650,259	2,767,619	0	0	2,650,259	2,767,619
Unrestricted (Deficit)	(3,189,358)	(4,716,396)	2,099,908	3,235,315	(1,089,450)	(1,481,081)
Total Net Position	<u>\$14,374,466</u>	<u>\$12,629,883</u>	<u>\$15,133,964</u>	<u>\$15,551,241</u>	<u>\$29,508,430</u>	<u>\$28,181,124</u>

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

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

CITY OF WAUSEON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2019***

Unaudited

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

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

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

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

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

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

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

CITY OF WAUSEON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2019

Unaudited

Change in Net Position – The following table shows the change in net position for 2019 compared to 2018:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for Services and Sales	\$1,161,017	\$1,314,631	\$3,169,570	\$3,118,995	\$4,330,587	\$4,433,626
Operating Grants and Contributions	547,436	510,002	0	0	547,436	510,002
Capital Grants and Contributions	51,864	663,688	0	0	51,864	663,688
Total Program Revenues	<u>1,760,317</u>	<u>2,488,321</u>	<u>3,169,570</u>	<u>3,118,995</u>	<u>4,929,887</u>	<u>5,607,316</u>
General revenues:						
Property Taxes	547,332	546,412	0	0	547,332	546,412
Income Taxes	3,959,019	4,058,441	0	0	3,959,019	4,058,441
Intergovernmental Revenues, Unrestricted	238,717	173,017	0	0	238,717	173,017
Investment Earnings	71,520	59,641	77,162	70,937	148,682	130,578
Miscellaneous	124,693	137,118	0	0	124,693	137,118
Total General Revenues	<u>4,941,281</u>	<u>4,974,629</u>	<u>77,162</u>	<u>70,937</u>	<u>5,018,443</u>	<u>5,045,566</u>
Total Revenues	<u>6,701,598</u>	<u>7,462,950</u>	<u>3,246,732</u>	<u>3,189,932</u>	<u>9,948,330</u>	<u>10,652,882</u>
Program Expenses						
Security of Persons and Property	1,640,531	4,280,914	0	0	1,640,531	4,280,914
Basic Utility Services	98,150	79,722	0	0	98,150	79,722
Leisure Time Activities	917,658	844,601	0	0	917,658	844,601
Community Environment	152,070	140,115	0	0	152,070	140,115
Transportation	1,160,563	1,158,529	0	0	1,160,563	1,158,529
General Government	901,501	982,959	0	0	901,501	982,959
Interest and Fiscal Charges	86,542	95,460	0	0	86,542	95,460
Water	0	0	1,696,206	1,722,362	1,696,206	1,722,362
Wastewater	0	0	1,967,803	1,346,573	1,967,803	1,346,573
Total Expenses	<u>4,957,015</u>	<u>7,582,300</u>	<u>3,664,009</u>	<u>3,068,935</u>	<u>8,621,024</u>	<u>10,651,235</u>
Total Change in Net Position	1,744,583	(119,350)	(417,277)	120,997	1,327,306	1,647
Beginning Net Position	12,629,883	12,749,233	15,551,241	15,430,244	28,181,124	28,179,477
Ending Net Position	<u>\$14,374,466</u>	<u>\$12,629,883</u>	<u>\$15,133,964</u>	<u>\$15,551,241</u>	<u>\$29,508,430</u>	<u>\$28,181,124</u>

Governmental Activities

Net position of governmental activities increased \$1,744,583, or 14%. Revenues were consistent with the prior year, with the exception of capital grants, which can be attributed to a donated building received in the prior year.

A substantial decrease in security of persons and property expense was the direct result of a decrease in the Ohio Police and Fire net OPEB liability.

CITY OF WAUSEON, OHIO

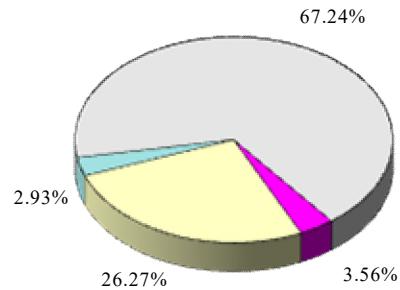
**Management's Discussion and Analysis
For the Year Ended December 31, 2019**

Unaudited

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

Income taxes and property taxes made up 59% and 8% respectively of revenues for governmental activities in 2019. The City's reliance upon tax revenues is demonstrated by the following graph indicating 67% of total revenues from general tax revenues:

Revenue Sources	2019	Percent of Total
General Tax Revenues	\$4,506,351	67.24%
Intergovernmental, Unrestricted	238,717	3.56%
Program Revenues	1,760,317	26.27%
General Other	196,213	2.93%
Total Revenue	\$6,701,598	100.00%



Business-Type Activities

Net position of business-type activities decreased \$417,277. This represents a change of approximately 3% from the previous year. Revenues remained consistent with the previous year. An increase in expenses can be attributed to an increase in costs for wages, benefits, and supplies within wastewater.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$3,901,794, which is a decrease from last year's balance of \$4,409,656. The schedule below indicates the fund balance and the total change in fund balance at December 31, 2019 and 2018:

	Fund Balance December 31, 2019	Fund Balance December 31, 2018	Increase (Decrease)
General	\$36,188	\$617,554	(\$581,366)
Income Tax Capital Improvement	2,492,765	2,233,327	259,438
Other Governmental	1,372,841	1,558,775	(185,934)
Total	\$3,901,794	\$4,409,656	(\$507,862)

CITY OF WAUSEON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2019**

Unaudited

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

	2019	2018	Increase
	Revenues	Revenues	(Decrease)
Taxes	\$3,205,957	\$3,298,639	(\$92,682)
Intergovernmental Revenue	276,409	248,628	27,781
Charges for Services	1,031,839	1,072,428	(40,589)
Licenses and Permits	84,646	83,736	910
Investment Earnings	63,098	58,052	5,046
Fines and Forfeitures	19,938	20,425	(487)
All Other Revenue	96,547	128,165	(31,618)
Total	\$4,778,434	\$4,910,073	(\$131,639)

General Fund revenues decreased approximately 3% when compared to revenues in 2018, which can mostly be attributed to a decrease in income taxes and charges for services. The decrease in income taxes was due to a decrease in income tax withholding from a specific manufacturer, which has experienced a down turn in production. Decreased demand for inter-hospital transportation for patients was the primary factor contributing to a decrease in charges for services.

	2019	2018	Increase
	Expenditures	Expenditures	(Decrease)
Security of Persons and Property	\$3,570,711	\$3,436,566	\$134,145
Basic Utility Services	41,038	28,506	12,532
Leisure Time Activities	614,769	631,334	(16,565)
Community Environment	93,764	71,948	21,816
Transportation	339,112	337,596	1,516
General Government	696,001	796,433	(100,432)
Capital Outlay	1,247	3,178	(1,931)
Total	\$5,356,642	\$5,305,561	\$51,081

General Fund expenditures increased \$51,081, or 1% when compared with the previous year. An increase in security of persons and property was the result of an increase in salaries and benefits. This can be attributed to a new police labor contract as well as the addition of two more full time fire department employees.

CITY OF WAUSEON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2019

Unaudited

Income Tax Capital Improvement Fund – The Income Tax Capital Improvement fund balance increased approximately 12%. Revenues were consistent with the prior year. Significant capital outlays in the prior year for pool construction, police and fire equipment, and street resurfacing resulted in a subsequent decrease in expenditures in 2019.

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of 2019 the City amended its General Fund budget several times.

For the General Fund, original budgeted, final budgeted, and actual budget basis revenues and expenditures were not materially different.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019 the City had \$32,569,943 net of accumulated depreciation invested in land, buildings, improvements, infrastructure, equipment and vehicles. Of this total, \$16,988,565 was related to governmental activities and \$15,581,378 to the business-type activities. The following tables show 2019 and 2018 balances:

	Governmental Activities		Increase (Decrease)
	2019	2018	
Land	\$1,667,379	\$1,667,379	\$0
Buildings	6,117,632	6,101,558	16,074
Improvements Other than Buildings	3,868,014	3,685,537	182,477
Machinery and Equipment	4,818,267	4,675,867	142,400
Infrastructure	11,643,132	11,207,194	435,938
Less: Accumulated Depreciation	(11,125,859)	(10,253,875)	(871,984)
Totals	<u>\$16,988,565</u>	<u>\$17,083,660</u>	<u>(\$95,095)</u>

Governmental activities capital asset activity included parking lot resurfacing, tennis court improvements, and resurfacing of Shoop and Elm Streets. Machinery and equipment activity included vehicle and equipment purchases in the police, fire, and parks departments.

CITY OF WAUSEON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2019**

Unaudited

	Business-Type Activities		Increase (Decrease)
	2019	2018	
Land	\$103,710	\$103,710	\$0
Construction in Progress	59,586	0	59,586
Buildings	9,572,180	9,414,163	158,017
Improvements other than Buildings	15,687,605	15,394,840	292,765
Machinery and Equipment	6,699,557	6,430,734	268,823
Less: Accumulated Depreciation	(16,541,260)	(15,802,293)	(738,967)
Totals	\$15,581,378	\$15,541,154	\$40,224

Business-type additions to capital assets included sewer improvements at North Ottokee Street, roof replacement on the wastewater treatment plant, and improvements to the wastewater de-watering system.

Additional information on the City's capital assets can be found in Note 8.

Debt and Other Long-Term Obligations

The following table summarizes the City's debt and other long-term obligations outstanding as of December 31, 2019 and 2018:

	2019	2018
Governmental Activities:		
General Obligation Bonds	\$2,075,000	\$2,505,000
Compensated Absences	326,346	325,574
Total Governmental Activities	2,401,346	2,830,574
Business-Type Activities:		
Ohio Water Development Authority Loans	2,047,322	2,203,978
Long Term Note Payable	500,000	700,000
Compensated Absences	128,574	126,512
Total Business-Type Activities	2,675,896	3,030,490
Totals	\$5,077,242	\$5,861,064

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2019, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 11.

CITY OF WAUSEON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2019***

Unaudited

ECONOMIC FACTORS

The City of Wauseon is the county seat of Fulton County, located in the northwest corner of Ohio. The City's main source of revenue is a 1.5% income tax levied on residents of the City and nonresidents working within the City. Income tax revenues collected are allocated between the General Fund and the Capital Projects Fund. Income tax receipts for 2019 decreased approximately 4.31% compared to 2018.

The City continues to experience economic decreases since a local auto manufacturer lost a large contract. The decreases experienced in 2018 and 2019 were due to a decrease in income tax withholding from this specific manufacturer. The City continues to use conservative budgeting to off-set this decrease and the general economic climate as well as State mandated local government funds reduction and the elimination of the estate tax. Continued employment is key to the stability and growth of the City's revenue stream.

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

REQUESTS FOR INFORMATION

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

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CITY OF WAUSEON, OHIO

Statement of Net Position
December 31, 2019

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 345,318	\$ 825,588	\$ 1,170,906
Cash and Cash Equivalents in Segregated Accounts	1,959	0	1,959
Investments	2,531,022	2,621,943	5,152,965
Receivables:			
Taxes	1,076,716	0	1,076,716
Accounts	91,954	365,076	457,030
Intergovernmental	373,673	0	373,673
Special Assessments	1,074,687	0	1,074,687
Loans	282,393	80,193	362,586
Inventory of Supplies at Cost	40,413	174,090	214,503
Prepaid Items	47,221	32,110	79,331
Restricted Assets:			
Cash and Cash Equivalents	206,461	0	206,461
Cash and Cash Equivalents with Fiscal Agent	88,718	0	88,718
Non-Depreciable Capital Assets	1,667,379	163,296	1,830,675
Depreciable Capital Assets, Net	15,321,186	15,418,082	30,739,268
Total Assets	23,149,100	19,680,378	42,829,478
Deferred Outflows of Resources:			
Pension	2,994,323	462,104	3,456,427
OPEB	870,163	58,625	928,788
Total Deferred Outflows of Resources	3,864,486	520,729	4,385,215
Liabilities:			
Accounts Payable	48,738	37,522	86,260
Accrued Wages and Benefits	101,217	29,476	130,693
Intergovernmental Payable	6,745	4,852	11,597
Accrued Interest Payable	6,259	4,344	10,603
Noncurrent Liabilities:			
Due Within One Year	594,837	735,075	1,329,912
Due in More Than One Year:			
Net Pension Liability	7,597,816	1,558,144	9,155,960
Net OPEB Liability	1,668,768	732,705	2,401,473
Other Amounts Due in More Than One Year	1,806,509	1,940,821	3,747,330
Total Liabilities	11,830,889	5,042,939	16,873,828

CITY OF WAUSEON, OHIO

	Governmental Activities	Business-Type Activities	Total
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	549,755	0	549,755
Pension	69,027	22,216	91,243
OPEB	189,449	1,988	191,437
Total Deferred Inflows of Resources	808,231	24,204	832,435
Net Position:			
Net Investment in Capital Assets	14,913,565	13,034,056	27,947,621
Restricted For:			
Capital Projects	1,074,687	0	1,074,687
Other Purposes	1,575,572	0	1,575,572
Unrestricted (Deficit)	(3,189,358)	2,099,908	(1,089,450)
Total Net Position	\$ 14,374,466	\$ 15,133,964	\$ 29,508,430

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

Statement of Activities
For the Year Ended December 31, 2019

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 1,640,531	\$ 955,233	\$ 28,104	\$ 51,864
Basic Utility Services	98,150	5,420	0	0
Leisure Time Activities	917,658	72,050	0	0
Community Environment	152,070	20,162	0	0
Transportation	1,160,563	0	519,332	0
General Government	901,501	108,152	0	0
Interest and Fiscal Charges	86,542	0	0	0
Total Governmental Activities	4,957,015	1,161,017	547,436	51,864
Business-Type Activities:				
Water	1,696,206	1,643,345	0	0
Wastewater	1,967,803	1,526,225	0	0
Total Business-Type Activities	3,664,009	3,169,570	0	0
Totals	\$ 8,621,024	\$ 4,330,587	\$ 547,436	\$ 51,864

General Revenues

Property Taxes Levied for:

- General Purposes
- Parks and Recreation
- Income Taxes
- Intergovernmental Revenues, Unrestricted
- Investment Earnings
- Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (605,330)	\$ 0	\$ (605,330)
(92,730)	0	(92,730)
(845,608)	0	(845,608)
(131,908)	0	(131,908)
(641,231)	0	(641,231)
(793,349)	0	(793,349)
(86,542)	0	(86,542)
<u>(3,196,698)</u>	<u>0</u>	<u>(3,196,698)</u>
0	(52,861)	(52,861)
<u>0</u>	<u>(441,578)</u>	<u>(441,578)</u>
<u>0</u>	<u>(494,439)</u>	<u>(494,439)</u>
<u>\$ (3,196,698)</u>	<u>\$ (494,439)</u>	<u>\$ (3,691,137)</u>
247,183	0	247,183
300,149	0	300,149
3,959,019	0	3,959,019
238,717	0	238,717
71,520	77,162	148,682
<u>124,693</u>	<u>0</u>	<u>124,693</u>
<u>4,941,281</u>	<u>77,162</u>	<u>5,018,443</u>
1,744,583	(417,277)	1,327,306
<u>12,629,883</u>	<u>15,551,241</u>	<u>28,181,124</u>
<u>\$ 14,374,466</u>	<u>\$ 15,133,964</u>	<u>\$ 29,508,430</u>

CITY OF WAUSEON, OHIO

**Balance Sheet
Governmental Funds
December 31, 2019**

	General	Income Tax Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 0	\$ 207,397	\$ 137,921	\$ 345,318
Cash and Cash Equivalents in Segregated Accounts	0	0	1,959	1,959
Investments	0	1,874,651	656,371	2,531,022
Receivables:				
Taxes	643,165	130,361	303,190	1,076,716
Accounts	91,954	0	0	91,954
Intergovernmental	119,309	0	254,364	373,673
Special Assessments	0	1,074,687	0	1,074,687
Loans	0	0	282,393	282,393
Interfund Loans Receivable	0	302,267	0	302,267
Inventory of Supplies, at Cost	26,926	0	13,487	40,413
Prepaid Items	47,221	0	0	47,221
Restricted Assets:				
Cash and Cash Equivalents	0	0	206,461	206,461
Cash and Cash Equivalents with Fiscal Agent	0	0	88,718	88,718
Total Assets	\$ 928,575	\$ 3,589,363	\$ 1,944,864	\$ 6,462,802
Liabilities:				
Accounts Payable	\$ 45,519	\$ 0	\$ 3,219	\$ 48,738
Accrued Wages and Benefits Payable	98,116	0	3,101	101,217
Intergovernmental Payable	3,646	0	3,099	6,745
Interfund Loans Payable	302,267	0	0	302,267
Total Liabilities	449,548	0	9,419	458,967
Deferred Inflows of Resources:				
Unavailable Amounts	193,367	1,096,598	262,321	1,552,286
Property Tax Levy for Next Fiscal Year	249,472	0	300,283	549,755
Total Deferred Inflows of Resources	442,839	1,096,598	562,604	2,102,041
Fund Balance:				
Nonspendable	74,147	0	295,880	370,027
Restricted	0	0	1,076,961	1,076,961
Committed	0	2,492,765	0	2,492,765
Unassigned (Deficit)	(37,959)	0	0	(37,959)
Total Fund Balance	36,188	2,492,765	1,372,841	3,901,794
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 928,575	\$ 3,589,363	\$ 1,944,864	\$ 6,462,802

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Position Of Governmental Activities
December 31, 2019***

Total Governmental Fund Balances	\$	3,901,794
<i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		16,988,565
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		1,552,286
The net pension/OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	2,994,323	
Deferred Inflows - Pension	(69,027)	
Net Pension Liability	(7,597,816)	
Deferred Outflows - OPEB	870,163	
Deferred Inflows - OPEB	(189,449)	
Net OPEB Liability	<u>(1,668,768)</u>	(5,660,574)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds Payable	(2,075,000)	
Compensated Absences Payable	(326,346)	
Accrued Interest Payable	<u>(6,259)</u>	<u>(2,407,605)</u>
<i>Net Position of Governmental Activities</i>	\$	<u>14,374,466</u>

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019**

	General	Income Tax Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 3,205,957	\$ 986,182	\$ 300,408	\$ 4,492,547
Intergovernmental Revenue	276,409	13,987	441,918	732,314
Charges for Services	1,031,839	0	0	1,031,839
Licenses and Permits	84,646	0	0	84,646
Investment Earnings	63,098	4,354	4,068	71,520
Special Assessments	0	0	17,296	17,296
Fines and Forfeitures	19,938	0	34,002	53,940
All Other Revenue	96,547	24,546	3,600	124,693
Total Revenue	4,778,434	1,029,069	801,292	6,608,795
Expenditures:				
Current:				
Security of Persons and Property	3,570,711	0	42,056	3,612,767
Basic Utility Services	41,038	0	0	41,038
Leisure Time Activities	614,769	0	16,751	631,520
Community Environment	93,764	20,415	24,520	138,699
Transportation	339,112	0	599,574	938,686
General Government	696,001	0	0	696,001
Capital Outlay	1,247	527,629	0	528,876
Debt Service:				
Principal Retirement	0	0	430,000	430,000
Interest & Fiscal Charges	0	0	87,317	87,317
Total Expenditures	5,356,642	548,044	1,200,218	7,104,904
Excess (Deficiency) of Revenues Over (Under) Expenditures	(578,208)	481,025	(398,926)	(496,109)
Other Financing Sources (Uses):				
Transfers In	0	0	517,317	517,317
Transfers Out	0	(221,587)	(295,730)	(517,317)
Total Other Financing Sources (Uses)	0	(221,587)	221,587	0
Net Change in Fund Balance	(578,208)	259,438	(177,339)	(496,109)
Fund Balance at Beginning of Year	617,554	2,233,327	1,558,775	4,409,656
Decrease in Inventory	(3,158)	0	(8,595)	(11,753)
Fund Balance End of Year	\$ 36,188	\$ 2,492,765	\$ 1,372,841	\$ 3,901,794

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Year Ended December 31, 2019***

Net Change in Fund Balances - Total Governmental Funds \$ (496,109)

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

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

Capital Outlay	866,090	
Depreciation Expense	(952,264)	(86,174)

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

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets.		(8,921)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		92,803
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Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:

Pension	526,205	
OPEB	8,373	534,578

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

Pension	(1,469,078)	
OPEB	2,759,234	1,290,156

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

General Obligation Bond Principal Retirement	430,000	
Accrued Interest Payable	775	430,775

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

Compensated Absences	(772)	
Change in Inventory	(11,753)	(12,525)

<i>Change in Net Position of Governmental Activities</i>		<u><u>\$ 1,744,583</u></u>
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See accompanying notes to the basic financial statements

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CITY OF WAUSEON, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 3,419,528	\$ 3,234,100	\$ 3,234,175	\$ 75
Intergovernmental Revenue	213,400	233,700	233,822	122
Charges for Services	1,099,472	1,047,972	1,048,161	189
Licenses and Permits	2,100	3,700	3,770	70
Investment Earnings	74,000	73,600	73,646	46
Fines and Forfeitures	21,700	20,300	20,272	(28)
All Other Revenues	251,000	233,200	233,807	607
Total Revenues	<u>5,081,200</u>	<u>4,846,572</u>	<u>4,847,653</u>	<u>1,081</u>
Expenditures:				
Current:				
Security of Persons and Property	3,558,184	3,650,404	3,640,629	9,775
Basic Utility Services	52,000	40,585	40,570	15
Leisure Time Activities	823,500	623,320	619,049	4,271
Community Environment	117,500	95,325	85,817	9,508
Transportation	362,500	358,475	354,642	3,833
General Government	766,677	772,207	749,755	22,452
Capital Outlay	6,500	3,500	1,247	2,253
Total Expenditures	<u>5,686,861</u>	<u>5,543,816</u>	<u>5,491,709</u>	<u>52,107</u>
Net Change in Fund Balance	(605,661)	(697,244)	(644,056)	53,188
Fund Balance at Beginning of Year	279,150	279,150	279,150	0
Prior Year Encumbrances	21,211	21,211	21,211	0
Fund Balance at End of Year	<u>\$ (305,300)</u>	<u>\$ (396,883)</u>	<u>\$ (343,695)</u>	<u>\$ 53,188</u>

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2019**

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Total
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ 412,704	\$ 412,884	\$ 825,588
Investments	800,561	1,821,382	2,621,943
Receivables:			
Accounts	182,384	182,692	365,076
Loans	80,193	0	80,193
Inventory of Supplies at Cost	164,977	9,113	174,090
Prepaid Items	7,410	24,700	32,110
Total Current Assets	<u>1,648,229</u>	<u>2,450,771</u>	<u>4,099,000</u>
Noncurrent Assets:			
Capital Assets, Net	7,261,094	8,320,284	15,581,378
Total Assets	<u>8,909,323</u>	<u>10,771,055</u>	<u>19,680,378</u>
Deferred Outflows of Resources:			
Pension	260,873	201,231	462,104
OPEB	33,121	25,504	58,625
Total Deferred Outflows of Resources	<u>293,994</u>	<u>226,735</u>	<u>520,729</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	24,326	13,196	37,522
Accrued Wages and Benefits	15,963	13,513	29,476
Intergovernmental Payable	4,260	592	4,852
Compensated Absences Payable - Current	39,592	33,542	73,134
Accrued Interest Payable	4,344	0	4,344
General Obligation Notes Payable	500,000	0	500,000
OWDA Loans Payable - Current	19,049	142,892	161,941
Total Current Liabilities	<u>607,534</u>	<u>203,735</u>	<u>811,269</u>
Noncurrent Liabilities:			
OWDA Loans Payable	61,144	1,824,237	1,885,381
Compensated Absences Payable	14,491	40,949	55,440
Net Pension Liability	879,624	678,520	1,558,144
Net OPEB Liability	413,635	319,070	732,705
Total Noncurrent Liabilities	<u>1,368,894</u>	<u>2,862,776</u>	<u>4,231,670</u>
Total Liabilities	<u>1,976,428</u>	<u>3,066,511</u>	<u>5,042,939</u>

CITY OF WAUSEON, OHIO

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Total
Deferred Inflows of Resources:			
Pension	12,516	9,700	22,216
OPEB	1,122	866	1,988
Total Deferred Inflows of Resources	<u>13,638</u>	<u>10,566</u>	<u>24,204</u>
Net Position:			
Net Investment in Capital Assets	6,680,901	6,353,155	13,034,056
Unrestricted	532,350	1,567,558	2,099,908
Total Net Position	<u>\$ 7,213,251</u>	<u>\$ 7,920,713</u>	<u>\$ 15,133,964</u>

See accompanying notes to the basic financial statements

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CITY OF WAUSEON, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2019**

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Total
Operating Revenues:			
Charges for Services	\$ 1,593,403	\$ 1,493,042	\$ 3,086,445
Total Operating Revenues	<u>1,593,403</u>	<u>1,493,042</u>	<u>3,086,445</u>
Operating Expenses:			
Personal Services	830,501	789,086	1,619,587
Contractual Services	198,234	197,145	395,379
Materials and Supplies	299,227	355,212	654,439
Depreciation	278,571	530,231	808,802
Total Operating Expenses	<u>1,606,533</u>	<u>1,871,674</u>	<u>3,478,207</u>
Operating Loss	(13,130)	(378,632)	(391,762)
Non-Operating Revenues (Expenses):			
Interest Income	27,397	49,765	77,162
Interest and Fiscal Charges	(19,143)	(69,174)	(88,317)
Loss on Disposal of Capital Assets	(7,759)	0	(7,759)
Other Nonoperating Revenue	49,942	33,183	83,125
Other Nonoperating Expense	(62,771)	(26,955)	(89,726)
Total Non-Operating Revenues (Expenses)	<u>(12,334)</u>	<u>(13,181)</u>	<u>(25,515)</u>
Change in Net Position	(25,464)	(391,813)	(417,277)
Net Position Beginning of Year	<u>7,238,715</u>	<u>8,312,526</u>	<u>15,551,241</u>
Net Position End of Year	<u>\$ 7,213,251</u>	<u>\$ 7,920,713</u>	<u>\$ 15,133,964</u>

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Business-Type Activities		Total
	Enterprise Funds		
	Water	Wastewater	
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,665,737	\$1,528,579	\$3,194,316
Cash Payments for Goods and Services	(590,836)	(582,844)	(1,173,680)
Cash Payments to Employees	(684,870)	(624,383)	(1,309,253)
Net Cash Provided by Operating Activities	<u>390,031</u>	<u>321,352</u>	<u>711,383</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(346,959)	(863,505)	(1,210,464)
Notes Issued	500,000	0	500,000
Note Retirement	(700,000)	0	(700,000)
OWDA Loan Retirement	(18,420)	(138,236)	(156,656)
Interest Paid on All Debt	(22,071)	(69,174)	(91,245)
Net Cash Used by Capital and Related Financing Activities	<u>(587,450)</u>	<u>(1,070,915)</u>	<u>(1,658,365)</u>
<u>Cash Flows from Investing Activities:</u>			
Purchase of Investments	(800,561)	(1,821,382)	(2,621,943)
Sale of Investments	0	946,252	946,252
Receipts of Interest	27,397	48,452	75,849
Net Cash Used by Investing Activities	<u>(773,164)</u>	<u>(826,678)</u>	<u>(1,599,842)</u>
Net Decrease in Cash and Cash Equivalents	(970,583)	(1,576,241)	(2,546,824)
Cash and Cash Equivalents at Beginning of Year	<u>1,383,287</u>	<u>1,989,125</u>	<u>3,372,412</u>
Cash and Cash Equivalents at End of Year	<u>\$412,704</u>	<u>\$412,884</u>	<u>\$825,588</u>

(Continued)

CITY OF WAUSEON, OHIO

	Business-Type Activities		Total
	Enterprise Funds		
	Water	Wastewater	
<u>Reconciliation of Operating Loss to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Loss	(\$13,130)	(\$378,632)	(\$391,762)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:			
Depreciation Expense	278,571	530,231	808,802
Miscellaneous Nonoperating Revenue	68,348	33,183	101,531
Miscellaneous Nonoperating Expense	(62,413)	(26,955)	(89,368)
Changes in Assets, Liabilities, and Deferred Outflows/Inflows:			
Decrease in Accounts Receivable	3,986	2,354	6,340
(Increase) Decrease in Inventory	(26,539)	6,312	(20,227)
(Increase) Decrease in Prepaid Items	2,889	(6,234)	(3,345)
Increase in Deferred Outflows of Resources	(142,059)	(119,833)	(261,892)
Decrease in Accounts Payable	(7,275)	(2,244)	(9,519)
Increase in Accrued Wages and Benefits	4,449	1,490	5,939
Increase (Decrease) in Intergovernmental Payable	358	(433)	(75)
Increase (Decrease) in Compensated Absences	3,653	(1,591)	2,062
Increase in Net Pension Liability	364,361	315,983	680,344
Increase in Net OPEB Liability	57,118	68,223	125,341
Decrease in Deferred Inflows of Resources	(142,286)	(100,502)	(242,788)
Total Adjustments	403,161	699,984	1,103,145
Net Cash Provided by Operating Activities	\$390,031	\$321,352	\$711,383

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are presented as of December 31, 2019 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

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

Jointly Governed Organizations

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

The Wauseon Ohio Advanced Energy Improvement District (the District) is a not for profit entity established pursuant to Ohio Revised Code (ORC) Chapter 1710. The District was created by legislative action taken by participating political subdivisions and is governed by the District's board of trustees. The participating political subdivisions include Rupp Unlimited Property Partnership, LLC and the City of Wauseon. The District was established to develop and implement special energy improvement projects as defined by ORC Chapter 1710, and is therefore subject to special assessments. The City paid \$17,296 to the District in 2019.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

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

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

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

Income Tax Capital Improvement Fund - This fund is used to account for the financial resources used for the major capital projects undertaken by the City. These financial resources include 25% of City income tax receipts.

Proprietary Funds

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

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

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

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

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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

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

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

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

D. Basis of Accounting

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

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

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

Special assessment installments including related accrued interest, which are measurable but not available at December 31, are recorded as deferred inflows of resources. Property taxes measurable as of December 31, 2019 but which are not intended to finance 2019 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources. Property taxes are further described in Note 5.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

E. Budgetary Process

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

1. Tax Budget

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

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CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Prior to October 1, the City accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2019.

3. Appropriations

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

4. Encumbrances

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

5. Lapsing of Appropriations

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

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting

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

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

	<u>Net Change in Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	(\$578,208)
Increase (Decrease):	
Accrued Revenues at December 31, 2019 received during 2020	(411,589)
Accrued Revenues at December 31, 2018 received during 2019	423,960
Accrued Expenditures at December 31, 2019 paid during 2020	147,281
Accrued Expenditures at December 31, 2018 paid during 2019	(184,478)
2018 Prepays for 2019	47,627
2019 Prepays for 2020	(47,221)
Outstanding Encumbrances	<u>(41,428)</u>
Budget Basis	<u><u>(\$644,056)</u></u>

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and investments with original maturities of three months or less.

The City pools a majority of its cash for investment and resource management purposes, while maintaining some segregated funds. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintains its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. See Note 4, "Cash, Cash Equivalents and Investments."

G. Investments

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City allocates interest among the various funds as determined by City Ordinance. Interest revenue credited to the general fund during 2019 amounted to \$63,098, which includes \$60,995 assigned from other funds.

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

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

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

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

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

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

L. Compensated Absences

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

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

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

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

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Position

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

N. Pension/OPEB

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

O. Interfund Activity

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

P. Fund Balances

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

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

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

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balances (Continued)

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

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

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

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

Q. Operating Revenues and Expenses

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no special or extraordinary items to report during 2019.

S. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. For the City, deferred outflows of resources are reported for pension/OPEB amounts on the government-wide and proprietary funds statement of net position. See Notes 9 and 10.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension/OPEB are reported on the government-wide and proprietary funds statement of net position. See Notes 9 and 10.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

For 2019, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 83, “Certain Asset Retirement Obligations,” Statement No. 84, “Fiduciary Activities,” Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,” and Statement No. 90, “Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61.”

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations.

GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments.

GASB Statement No. 88 revises the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements.

GASB Statement No. 90 establishes criteria for reporting a government’s majority equity interest in a legally separate organization.

These changes were incorporated in the City’s 2019 financial statements; however, there was no effect on beginning net position/fund balance.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 3 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	Income Tax Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Loans Receivable	\$0	\$0	\$282,393	\$282,393
Prepaid Items	47,221	0	0	47,221
Supplies Inventory	26,926	0	13,487	40,413
Total Nonspendable	<u>74,147</u>	<u>0</u>	<u>295,880</u>	<u>370,027</u>
Restricted:				
Street Improvements	0	0	761,204	761,204
Parks and Recreation	0	0	29,828	29,828
Drug and Alcohol Treatment and Education	0	0	79,468	79,468
Community Development and Improvement	0	0	206,461	206,461
Total Restricted	<u>0</u>	<u>0</u>	<u>1,076,961</u>	<u>1,076,961</u>
Committed:				
Capital Improvements	0	2,492,765	0	2,492,765
Assigned:				
Services and Supplies	0	0	0	0
Total Assigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unassigned (Deficit):	<u>(37,959)</u>	<u>0</u>	<u>0</u>	<u>(37,959)</u>
Total Fund Balances	<u>\$36,188</u>	<u>\$2,492,765</u>	<u>\$1,372,841</u>	<u>\$3,901,794</u>

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

A. Deposits

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

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

At year end the carrying amount of the City's deposits was \$1,953,476 and the bank balance was \$2,055,518. Federal depository insurance covered the entire bank balance.

The City had restricted cash in the amount of \$206,461, which was related to the Community Development Block Grant Economic Development Revolving Loan Fund. In addition, the City had cash with fiscal agent in the amount of \$88,718, which was related to permissive tax monies held and secured by Fulton County. The City had petty cash in the amount of \$850.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The City's investments at December 31, 2019 are summarized below:

	Fair Value	Credit Rating	Fair Value Hierarchy	Concentration of Credit Risk	Investment Maturities (in Years)		
					less than 1	1-3	3-5
Marketable CD's	\$2,177,191	AAA ³	Level 2	47.57%	\$462,291	\$563,307	\$1,151,593
US Treasury Notes	247,422	AA+ ¹ /Aaa ²	Level 2	5.40%	0	0	247,422
FHLB	449,580	AA+ ¹ /Aaa ²	Level 2	9.82%	449,580	0	0
FHLMC	344,800	AA+ ¹ /Aaa ²	Level 2	7.53%	164,876	179,924	0
FFCB	811,342	AA+ ¹ /Aaa ²	Level 2	17.72%	0	0	811,342
FNMA	547,630	AAA ¹ /Aaa ²	Level 2	11.96%	299,224	0	248,406
Total Investments	\$4,577,965			100.00%	\$1,375,971	\$743,231	\$2,458,763

¹ Standard & Poor's

² Moody's Investor Service

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

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

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

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

C. Reconciliation of Cash, Cash Equivalents and Investments

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

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

	Cash and Cash Equivalents	Investments
Per Financial Statements	\$1,468,044	\$5,152,965
Cash with Fiscal Agent	(88,718)	
Petty Cash	(850)	
Investments:		
Certificates of Deposit	575,000	(575,000)
Per GASB Statement No. 3	<u>\$1,953,476</u>	<u>\$4,577,965</u>

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property located in the City. Real property taxes (other than public utility) collected during 2019 were levied after October 1, 2018 on assessed values as of January 1, 2018, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2014. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Wauseon. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2019 was \$4.80 per \$1,000 of assessed value. The assessed value upon which the 2019 levy was based was \$128,943,690. This amount constitutes \$120,171,190 in real property assessed value and \$8,772,500 in public utility assessed value.

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

Real Estate Tax Abatements

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

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

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

NOTE 5 - TAXES (Continued)

A. Property Taxes (Continued)

Currently, there are numerous businesses participating in this program.

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

Below is information relevant to the disclosure of this program for the year ending December 31, 2019.

Tax Abatement Program	Total Amount of Taxes Abated For the year 2019
<i>Community Reinvestment Area (CRA)</i>	
Manufacturing/Commercial	\$11,998
	\$11,998

B. Income Tax

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

NOTE 6 - RECEIVABLES

Receivables at December 31, 2019 consisted of taxes, accounts receivable, special assessments, loans receivable and intergovernmental receivables arising from shared revenues. All receivables other than those offset by deferred inflows are considered collectible in full.

NOTE 7 – INTERFUND ACTIVITY

A. Interfund Loans

Individual interfund loan balances at December 31, 2019 are as follows:

Fund	Interfund Loan Receivable	Interfund Loan Payable
General Fund	\$0	\$302,267
Income Tax Capital Improvement Fund	302,267	0
Totals	\$302,267	\$302,267

Interfund loans between governmental funds are eliminated on the statement of net position.

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

NOTE 7 – INTERFUND ACTIVITY (Continued)

B. Transfers

Following is a summary of transfers in and out for all funds for 2019:

Fund	Transfer In	Transfer Out
Income Tax Capital Improvement Fund	\$0	\$221,587
Other Governmental Funds	517,317	295,730
Totals	<u>\$517,317</u>	<u>\$517,317</u>

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

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2019:

Historical Cost:

Class	December 31, 2018	Additions	Deletions	December 31, 2019
<i>Capital assets not being depreciated:</i>				
Land	\$1,667,379	\$0	\$0	\$1,667,379
<i>Capital assets being depreciated:</i>				
Buildings	6,101,558	16,074	0	6,117,632
Improvements Other than Buildings	3,685,537	182,477	0	3,868,014
Machinery and Equipment	4,675,867	231,601	(89,201)	4,818,267
Infrastructure	11,207,194	435,938	0	11,643,132
Subtotal	<u>25,670,156</u>	<u>866,090</u>	<u>(89,201)</u>	<u>26,447,045</u>
Total Cost	<u>\$27,337,535</u>	<u>\$866,090</u>	<u>(\$89,201)</u>	<u>\$28,114,424</u>

Accumulated Depreciation:

Class	December 31, 2018	Additions	Deletions	December 31, 2019
Buildings	(\$2,620,114)	(\$160,894)	\$0	(\$2,781,008)
Improvements Other than Buildings	(1,386,062)	(127,392)	0	(1,513,454)
Machinery and Equipment	(2,610,214)	(320,664)	80,280	(2,850,598)
Infrastructure	(3,637,485)	(343,314)	0	(3,980,799)
Total Accumulated Depreciation	<u>(\$10,253,875)</u>	<u>(\$952,264) *</u>	<u>\$80,280</u>	<u>(\$11,125,859)</u>
<i>Net Value:</i>	<u>\$17,083,660</u>			<u>\$16,988,565</u>

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

NOTE 8 - CAPITAL ASSETS (Continued)

A. Governmental Activities Capital Assets (Continued)

* Depreciation was charged to governmental functions as follows:

Security of Persons and Property	\$137,986
Basic Utility Services	49,455
Leisure Time Activities	184,700
Transportation	474,020
General Government	<u>106,103</u>
Total Depreciation Expense	<u><u>\$952,264</u></u>

Under GASB Statement No. 34, the City is not required to retroactively report infrastructure assets. Only infrastructure capital assets acquired or constructed beginning in 2003 are reflected in the basic financial statements for the year ended December 31, 2019.

B. Business-Type Activities Capital Assets

Summary by category of changes in business-type activities capital assets at December 31, 2019:

Historical Cost:

Class	December 31, 2018	Additions	Deletions	December 31, 2019
Capital assets not being depreciated:				
Land	\$103,710	\$0	\$0	\$103,710
Construction in Progress	0	59,586	0	59,586
Subtotal	<u>103,710</u>	<u>59,586</u>	<u>0</u>	<u>163,296</u>
Capital assets being depreciated:				
Buildings	9,414,163	220,317	(62,300)	9,572,180
Improvements other than Buildings	15,394,840	292,765	0	15,687,605
Machinery and Equipment	6,430,734	284,117	(15,294)	6,699,557
Subtotal	<u>31,239,737</u>	<u>797,199</u>	<u>(77,594)</u>	<u>31,959,342</u>
Total Cost	<u><u>\$31,343,447</u></u>	<u><u>\$856,785</u></u>	<u><u>(\$77,594)</u></u>	<u><u>\$32,122,638</u></u>

Accumulated Depreciation:

Class	December 31, 2018	Additions	Deletions	December 31, 2019
Buildings	(\$5,232,012)	(\$261,304)	\$56,070	(\$5,437,246)
Improvements other than Buildings	(6,074,832)	(367,414)	0	(6,442,246)
Machinery and Equipment	(4,495,449)	(180,084)	13,765	(4,661,768)
Total Accumulated Depreciation	<u><u>(\$15,802,293)</u></u>	<u><u>(\$808,802)</u></u>	<u><u>\$69,835</u></u>	<u><u>(\$16,541,260)</u></u>
Net Value:	<u><u>\$15,541,154</u></u>			<u><u>\$15,581,378</u></u>

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

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

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

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS’s Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member’s contributions plus or minus the investment gains or losses resulting from the member’s investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members’ contributions, vested employer contributions and investment gains or losses resulting from the members’ investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

	<u>State and Local</u>
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2019 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	<u>0.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$283,735 for 2019.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

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

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	Police	Firefighters
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2019 through December 31, 2019	12.25 %	12.25 %
2019 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:		
January 1, 2019 through December 31, 2019	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$357,377 for 2019.

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

The net pension liability for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF’s total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability	\$3,847,467	\$5,308,493	\$9,155,960
Proportion of the Net Pension Liability-2019	0.014048%	0.065034%	
Proportion of the Net Pension Liability-2018	0.014008%	0.058004%	
Percentage Change	0.000040%	0.007030%	
Pension Expense	\$823,057	\$991,548	\$1,814,605

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes in assumptions	\$334,931	\$140,736	\$475,667
Differences between expected and actual experience	178	218,106	218,284
Net difference between projected and actual earnings on pension plan investments	522,210	653,999	1,176,209
Change in proportionate share	0	945,155	945,155
City contributions subsequent to the measurement date	<u>283,735</u>	<u>357,377</u>	<u>641,112</u>
Total Deferred Outflows of Resources	<u>\$1,141,054</u>	<u>\$2,315,373</u>	<u>\$3,456,427</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$50,523	\$4,960	\$55,483
Change in proportionate share	<u>4,381</u>	<u>31,379</u>	<u>35,760</u>
Total Deferred Inflows of Resources	<u>\$54,904</u>	<u>\$36,339</u>	<u>\$91,243</u>

\$641,112 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2020	\$342,665	\$599,197	\$941,862
2021	168,440	456,185	624,625
2022	48,445	407,533	455,978
2023	242,865	420,403	663,268
2024	<u>0</u>	<u>38,339</u>	<u>38,339</u>
Total	<u>\$802,415</u>	<u>\$1,921,657</u>	<u>\$2,724,072</u>

Actuarial Assumptions - OPERS

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

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2018 and December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	December 31, 2018
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2018. 2.15 percent simple, thereafter
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age
	December 31, 2017
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2018. 2.15 percent simple, thereafter
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

During 2018, 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 a loss of 2.94% for 2018.

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	100.00 %	5.95 %

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

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

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$5,683,821	\$3,847,467	\$2,321,432

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2018, compared with January 1, 2017, are presented below.

	January 1, 2018	January 1, 2017
Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

For the January 1, 2018 valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

For the January 1, 2018 valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The most recent experience study was completed for the five year period ended December 31, 2016. The recommended assumption changes based on this experience study were adopted by OP&F’s Board and were effective beginning with the January 1, 2017 actuarial valuation.

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF’s target asset allocation as of December 31, 2018 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.80 %
Domestic Equity	16.00	5.50
Non-US Equity	16.00	5.90
Private Markets	8.00	8.40
Core Fixed Income *	23.00	2.60
High Yield Fixed Income	7.00	4.80
Private Credit	5.00	7.50
U.S. Inflation Linked Bonds *	17.00	2.30
Master Limited Partnerships	8.00	6.40
Real Assets	8.00	7.00
Private Real Estate	12.00	6.10
Total	120.00 %	

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

CITY OF WAUSEON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2019***

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate For 2018, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2017 was 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$6,977,648	\$5,308,493	\$3,913,673

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CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

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

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. 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 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2019.

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 healthcare 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. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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

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

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

CITY OF WAUSEON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2019***

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The City's contractually required contribution to OP&F was \$8,373 for 2019.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, 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, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$1,809,237	\$592,236	\$2,401,473
Proportion of the Net OPEB Liability-2019	0.013877%	0.065034%	
Proportion of the Net OPEB Liability-2018	<u>0.014002%</u>	<u>0.058004%</u>	
Percentage Change	<u>(0.000125%)</u>	<u>0.007030%</u>	
OPEB Expense	\$153,055	(\$2,841,904)	(\$2,688,849)

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes in assumptions	\$58,332	\$306,986	\$365,318
Differences between expected and actual experience	613	0	613
Net difference between projected and actual earnings on OPEB plan investments	82,944	20,046	102,990
Change in proportionate share	2,912	448,582	451,494
City contributions subsequent to the measurement date	<u>0</u>	<u>8,373</u>	<u>8,373</u>
Total Deferred Outflows of Resources	<u>\$144,801</u>	<u>\$783,987</u>	<u>\$928,788</u>
Deferred Inflows of Resources			
Changes in assumptions	\$0	\$163,959	\$163,959
Differences between expected and actual experience	4,909	15,866	20,775
Change in proportionate share	<u>0</u>	<u>6,703</u>	<u>6,703</u>
Total Deferred Inflows of Resources	<u>\$4,909</u>	<u>\$186,528</u>	<u>\$191,437</u>

\$8,373 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2020	\$67,515	\$100,011	\$167,526
2021	16,929	100,011	116,940
2022	13,663	100,013	113,676
2023	41,785	106,074	147,859
2024	0	96,515	96,515
2025	0	84,996	84,996
2026	<u>0</u>	<u>1,466</u>	<u>1,466</u>
Total	<u>\$139,892</u>	<u>\$589,086</u>	<u>\$728,978</u>

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return:	
Current measurement date	6.00 percent
Prior Measurement date	6.50 percent
Municipal Bond Rate:	
Current measurement date	3.71 percent
Prior Measurement date	3.31 percent
Health Care Cost Trend Rate:	
Current measurement date	10.0 percent, initial 3.25 percent, ultimate in 2029
Prior Measurement date	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

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

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60 percent for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	100.00 %	5.16 %

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent.

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	\$2,314,684	\$1,809,237	\$1,407,267

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$1,739,066	\$1,809,237	\$1,890,047

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Single discount rate	4.66 percent	3.24 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized below:

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2019**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.80 %
Domestic Equity	16.00	5.50
Non-US Equity	16.00	5.90
Private Markets	8.00	8.40
Core Fixed Income *	23.00	2.60
High Yield Fixed Income	7.00	4.80
Private Credit	5.00	7.50
U.S. Inflation Linked Bonds*	17.00	2.30
Master Limited Partnerships	8.00	6.40
Real Assets	8.00	7.00
Private Real Estate	12.00	6.10
Total	<u>120.00 %</u>	

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

Discount Rate The total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
City's proportionate share of the net OPEB liability	\$721,503	\$592,236	\$483,724

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Due to the change from a self-funded plan to the stipend plan, disclosure of the healthcare cost trend rate for OP&F is no longer available.

Changes Between Measurement Date and Report Date - Beginning January 1, 2019 OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current healthcare model to the stipend based healthcare model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Although the exact amount of these changes is not known, the overall decrease to the City's net OPEB liability is expected to be significant.

NOTE 11 – DEBT AND OTHER LONG-TERM OBLIGATIONS

Activity in Long-Term Debt and Other Long-Term Obligations in 2019 was as follows:

Interest Rate	Purpose	Maturity Date	Balance December 31, 2018	Additions	Deductions	Balance December 31, 2019	Amount Due Within One Year
Governmental Activities Debt:							
General Obligation Bonds:							
2.0-5.0%	Street Improvement	2029	\$1,925,000	\$0	(\$145,000)	\$1,780,000	\$150,000
1.85%	Pool Improvements	2020	580,000	0	(285,000)	295,000	295,000
Total General Obligation Bonds			2,505,000	0	(430,000)	2,075,000	445,000
Governmental Activities Other Long-Term Obligations:							
Compensated Absences			325,574	166,680	(165,908)	326,346	149,837
Total Governmental Activities			2,830,574	166,680	(595,908)	2,401,346	594,837
Business-Type Activities Debt:							
Ohio Water Development Authority Loans:							
3.34%	Wastewater Treatment Plant	2031	2,105,365	0	(138,236)	1,967,129	142,892
3.39%	Tedrow Water Supply Improvements	2024	98,613	0	(18,420)	80,193	19,049
Total Ohio Water Development Authority Loans			2,203,978	0	(156,656)	2,047,322	161,941
Long Term Note Payable:							
2.75%	Water Improvements	2019	700,000	0	(700,000)	0	0
2.28%	Water Improvements	2020	0	500,000	0	500,000	500,000
Business-Type Activities Other Long-Term Obligations:							
Compensated Absences			126,512	66,106	(64,044)	128,574	73,134
Total Business-Type Activities			3,030,490	566,106	(920,700)	2,675,896	735,075
Total Long-Term Obligations			\$5,861,064	\$732,786	(\$1,516,608)	\$5,077,242	\$1,329,912

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 11 – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

The Water Improvements Note Payable series 2019 will mature on August 13, 2020 and was issued in anticipation of the issuance of bonds for the purpose of improving the municipal waterworks system. The notes were used to retire the series 2018 notes payable, which matured on August 14, 2019.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2019 are as follows:

Years	Governmental Activities		Business-Type Activities			
	General Obligation Bonds		Long Term Note		OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$445,000	\$77,696	\$500,000	\$11,415	\$161,941	\$66,783
2021	155,000	66,238	0	0	167,405	61,395
2022	160,000	60,038	0	0	173,053	55,823
2023	165,000	53,638	0	0	178,892	50,064
2024	175,000	47,038	0	0	163,137	44,275
2025-2029	975,000	124,877	0	0	901,888	135,163
2030-2031	0	0	0	0	301,006	10,109
Totals	\$2,075,000	\$429,525	\$500,000	\$11,415	\$2,047,322	\$423,612

The City's total debt margin was \$11,464,087 at December 31, 2019. The Ohio Revised Code provides that the net debt of a municipal corporation, when approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxable value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 12 - RISK MANAGEMENT

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

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018 (latest available information).

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018 (latest available information).

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$4,330,789</u>

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

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 12 - RISK MANAGEMENT (Continued)

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

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

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

NOTE 13 - CONTINGENCIES

A. Grants

The City received financial assistance from State and Federal agencies in the form of grants. The expense of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2019.

B. Litigation

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

NOTE 14 – RAW WATERLINE COST SHARING AGREEMENT

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

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2019

NOTE 15 - SIGNIFICANT COMMITMENTS

At December 31, 2019 the City had encumbrance commitments in the Governmental Funds as follows:

<u>Fund</u>	<u>Encumbrances</u>
General Fund	\$41,428
Income Tax Capital Improvement Fund	74,961
Other Governmental Funds	2,103
Total Governmental Funds	<u>\$118,492</u>

NOTE 16 – SUBSEQUENT EVENT

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

NOTE 17 – COMPLIANCE

Contrary to Ohio Rev. Code 5705.16 the City transferred \$400,000 from the Income Tax Capital Projects fund to the General fund without the approval of the tax commissioner.

Contrary to Ohio Rev. Code 5705.10(I) the City's General fund has a cash deficit fund balance of \$302,267 at December 31, 2019.

Contrary to Ohio Rev. Code 5705.39 the City's appropriations exceeded estimated resources in the General fund.

NOTE 18 – MANAGEMENT'S PLAN REGARDING DEFICIT

For the fiscal year ended the City has a cash deficit balance in the General fund at December 31, 2019 of \$302,267. The City is continuing to monitor the budget closely and is working on growing the General fund cash balance over future years.

Council is acutely aware of the financial position of the City and is committed to remedying the deficiencies in the General fund. The City has developed a Corrective Action Plan with the goal to improve the financial position of the City. Council is going to prepare new legislation to increase the income tax allocation to the General fund. The City is also going to make a request to the Tax Commissioner to transfer monies from the Capital Projects fund to the General fund.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WAUSEON, OHIO

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

Ohio Public Employees Retirement System

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

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

Ohio Police and Fire Pension Fund

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

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

Notes: The City implemented GASB Statement 68 in 2015.

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

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

See accompanying notes to the required supplementary information

CITY OF WAUSEON, OHIO

<u>2017</u>	<u>2018</u>	<u>2019</u>
0.014036%	0.014008%	0.014048%
\$3,187,427	\$2,197,525	\$3,847,467
\$1,814,492	\$1,851,115	\$1,897,464
175.67%	118.71%	202.77%
77.25%	84.66%	74.70%

<u>2017</u>	<u>2018</u>	<u>2019</u>
0.054345%	0.058004%	0.065034%
\$3,442,162	\$3,559,993	\$5,308,493
\$1,188,754	\$1,279,061	\$1,474,274
289.56%	278.33%	360.08%
68.36%	70.91%	63.07%

CITY OF WAUSEON, OHIO

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

Ohio Public Employees Retirement System

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

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

Ohio Police and Fire Pension Fund

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

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

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

See accompanying notes to the required supplementary information

CITY OF WAUSEON, OHIO

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

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

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CITY OF WAUSEON, OHIO

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

Ohio Public Employees Retirement System

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

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

Ohio Police and Fire Pension Fund

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

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

Notes: The City implemented GASB Statement 75 in 2018.

Information prior to 2016 is not available.

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

See accompanying notes to the required supplementary information

CITY OF WAUSEON, OHIO

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

Ohio Public Employees Retirement System

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

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

Ohio Police and Fire Pension Fund

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

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

Notes: The City implemented GASB Statement 75 in 2018.

Information prior to 2013 is not available.

See accompanying notes to the required supplementary information

CITY OF WAUSEON, OHIO

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

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

CITY OF WAUSEON, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2019

NET PENSION LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2019.

Changes in assumptions:

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

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

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

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

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

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

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2019.

Changes in assumptions:

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

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

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

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

CITY OF WAUSEON, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2019

NET OPEB LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the periods 2018-2019.

Changes in assumptions:

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

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

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

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms:

2018: There were no changes in benefit terms.

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

Changes in assumptions:

2018: There were no changes in assumptions.

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

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

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NorthwestRegion@ohioauditor.gov

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

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

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wauseon, Fulton County, Ohio, (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 24, 2020, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the City. We also noted the City has suffered recurring losses from operations and has a non-GAAP budgetary basis fund balance deficiency in the General Fund.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings, that we consider a material weaknesses. We consider finding 2019-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2019-001 through 2019-003.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not subject the City's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

November 24, 2020

CITY OF WAUSEON
FULTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019

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

FINDING NUMBER 2019-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.14 states, in part, that no transfer shall be made from one fund of a subdivision to any other fund, by order of the court or otherwise, except as follows:

- (A) The unexpended balance in a bond fund that is no longer needed for the purpose for which such fund was created shall be transferred to the sinking fund or bond retirement fund from which such bonds are payable.
- (B) The unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision; provided that if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.
- (C)(1) Except as provided in division (C)(2) of this section, the unexpended balance in the sinking fund or bond retirement fund of a subdivision, after all indebtedness, interest, and other obligations for the payment of which such fund exists have been paid and retired, shall be transferred, in the case of the sinking fund, to the bond retirement fund, and in the case of the bond retirement fund, to the sinking fund; provided that if such transfer is impossible by reason of the nonexistence of the fund to receive the transfer, such unexpended balance, with the approval of the court of common pleas of the county in which such division is located, may be transferred to any other fund of the subdivision.
- (2) Money in a bond fund or bond retirement fund of a city, local, exempted village, cooperative education, or joint vocational school district may be transferred to a specific permanent improvement fund provided that the county budget commission of the county in which the school district is located approves the transfer upon its determination that the money transferred will not be required to meet the obligations payable from the bond fund or bond retirement fund. In arriving at such a determination, the county budget commission shall consider the balance of the bond fund or bond retirement fund, the outstanding obligations payable from the fund, and the sources and timing of the fund's revenue.
- (D) The unexpended balance in any special fund, other than an improvement fund, existing in accordance with division (D), (F), or (G) of § 5705.09 or § 5705.12, may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund.
- (E) Money may be transferred from the general fund to any other fund of the subdivision

Ohio Rev. Code § 5705.15 provides that in addition to the transfers authorized in section 5705.14 of the Ohio Rev. Code, the taxing authority of any political subdivision may, in the manner provided in this section and section 5705.16 of the Ohio Rev. Code, transfer from one fund to another any public funds in its supervision, except the proceeds or balances of loans, bond issues, special levies for the payment of loans or bond issues, the proceeds or balance of funds derived from any excise tax levied by law for a specific purpose, and the proceeds or balances of any license fees imposed by law for a specific purpose.

Ohio Rev. Code § 5705.16 requires the City to petition the tax commissioner (effective after June 30, 2017) for approval of such transfers.

Due to deficiencies in policies and procedures in approving transfers and reviewing the financial statements, the City incorrectly transferred \$400,000 from the Income Tax Capital Projects Fund to the General Fund without the approval of the tax commissioner. This resulted in an improper transfers being made by the City because Ohio Revised Code § 5705.14 and 5705.15 do not provide statutory authority for a transfer from the City's Income Tax Capital Project Fund to its General Fund.

Failing to obtain proper approval of transfers could result in an improper use of City funds and result in audit adjustments. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. The City Council should only approve transfers that are allowable in accordance with the Ohio Rev. Code and should request approval of the tax commissioner when necessary.

FINDING NUMBER 2019-002

Noncompliance

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

Due to the audit adjustment eliminating \$400,000 in transfers to the General Fund from the Income Tax Capital Improvement Fund, at December 31, 2019 the City's appropriations exceeded the amount certified as available by the budget commission in the General fund by \$396,883.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the City's compliance monitoring policies and procedures could result in overspending and negative cash fund balance.

The City should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the City should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the City Council to reduce the appropriations.

FINDING NUMBER 2019-003

Noncompliance

Ohio Rev. Code § 5705.10(I) requires that money paid into any fund shall be used only for the purposes for which such fund is established.

Therefore, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

Due to the audit adjustment eliminating \$400,000 in transfers to the General fund from the Income Tax Capital Improvement fund, the General fund had a deficit fund cash balance of \$302,267 at December 31, 2019. Negative fund balances could result in the use of restricted receipts for unallowable purposes. A procedure and control, such as the Management and/or Council's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance.

The City should review fund balances and take corrective actions in order to prevent deficit spending.

Officials' Response:

For the fiscal year ended the City has a cash deficit balance in the General fund at December 31, 2019 of \$302,267. The City is continuing to monitor the budget closely and is working on growing the General fund cash balance over future years.

Council is acutely aware of the financial position of the City and is committed to remedying the deficiencies in the General fund. The City has developed a Corrective Action Plan with the goal to improve the financial position of the City. Council is going to prepare new legislation to increase the income tax allocation to the General fund. The City is also going to make a request to the Tax Commissioner to transfer monies from the Capital Projects fund to the General fund.

Mayor
Kathy Huner

City Council
Shane Chamberlin
Patrick Griggs
Steve Schneider
Harold Sticklely
Jeff Stiriz
Scott Stiriz



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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	Material Weakness due to improper segregation of duties in the income tax department.	Fully corrected.	

OHIO AUDITOR OF STATE KEITH FABER



CITY OF WAUSEON

FULTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/8/2020

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

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