



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

---

CITY OF WATERVILLE  
LUCAS COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2021

---

One East Campus View Blvd. Suite 300 • Columbus, OH 43235 • (614) 430-0590 • FAX (614) 448-4519  
PO Box 875 • 129 Pinckney Street • Circleville, OH 43113 • (740) 474-5210 • FAX (740) 474-7319  
PO Box 687 • 528 S. West Street • Piketon, OH 45661 • (740) 289-4131 • FAX (740) 289-3639

[www.bhmcgroup.com](http://www.bhmcgroup.com)



OHIO AUDITOR OF STATE  
KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
IPAReport@ohioauditor.gov  
(800) 282-0370

City Council  
City of Waterville  
25 North Second Street  
Waterville, Ohio 43566

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

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

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

Keith Faber  
Auditor of State  
Columbus, Ohio

**July 19, 2022**

**This page intentionally left blank.**

**City of Waterville**  
Lucas County

**Table of Contents**

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	21
Statement of Activities.....	22
Fund Financial Statements:	
Balance Sheet Governmental Funds .....	24
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities .....	25
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to Statement of Activities.....	27
Statement of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual - General Fund .....	28
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – Fire Levy Fund.....	29
Statement of Net Position – Proprietary Funds.....	30
Statement of Revenues, Expenses and Change in Fund Net Position - Proprietary Funds .....	31
Statement of Cash Flows – Proprietary Funds.....	32
Notes to the Basic Financial Statements .....	34
Required Supplementary Information	
Schedules of the City’s Proportionate Share of the Net Pension Liability/Net Pension Asset - Ohio Public Employees Retirement System (OPERS) .....	82
Schedules of the City’s Proportionate Share of the Net Pension Liability – Ohio Police and Fire (OP&F) Pension Fund.....	84
Schedules of City Pension Contributions – Ohio Public Employees Retirement System (OPERS) .....	86
Schedules of City Pension Contributions – Ohio Police and Fire (OP&F) Pension Fund.....	88

**City of Waterville**  
Lucas County

**Table of Contents**

<u>TITLE</u>	<u>PAGE</u>
Schedules of the City's Proportionate Share of the Net OPEB Liability/Net OPEB Asset – Ohio Public Employees Retirement System (OPERS) .....	90
Schedules of the City's Proportionate Share of the Net OPEB Liability – Ohio Police and Fire (OP&F) Pension Fund .....	92
Schedules of City OPEB Contributions – Ohio Public Employees Retirement System (OPERS) .....	94
Schedules of City OPEB Contributions – Ohio Police and Fire (OP&F) Pension Fund .....	96
Notes to Required Supplementary Information .....	98
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	100



**INDEPENDENT AUDITOR'S REPORT**

City of Waterville  
Lucas County  
25 North Second Street  
Waterville, Ohio 43566

To the Members of the Council:

**Report on the Audit of the Financial Statements**

***Opinions***

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

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

***Basis for Opinions***

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

***Emphasis of Matter***

As discussed in Note 18 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding this matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

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

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

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

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

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



**Required Supplementary Information**

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2022, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



BHM CPA Group, Inc.  
Piketon, Ohio  
June 28, 2022

THIS PAGE IS INTENTIONALLY LEFT BLANK

## CITY OF WATERVILLE

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

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

#### **Financial Highlights**

Key financial highlights for 2021 are as follows:

- The total net position of the City increased \$5,857,030. Net position of governmental activities increased \$3,614,430 or 22.22% over 2020's net position and net position of business-type activities increased \$2,242,600 or 27.25% from 2020's net position.
- General revenues accounted for \$6,486,507 or 72.14% of total governmental activities revenue. Program specific revenues accounted for \$2,505,021 or 27.86% of total governmental activities revenue of \$8,991,528.
- The City had \$5,377,098 in expenses related to governmental activities; \$2,505,021 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$2,872,077 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$6,486,507.
- The general fund had revenues of \$4,774,572 in 2021. The expenditures and other financing uses of the general fund totaled \$3,762,453 in 2021. The net increase in fund balance for the general fund was \$1,012,119 or 28.61%.
- The fire levy fund had revenues and other financing sources of \$1,051,598 in 2021. The expenditures of the fire levy fund totaled \$850,033 in 2021. 2021 was the first year of operation of the fire levy fund. The fund balance at the end of the year was \$201,565.
- The various improvements fund had revenues and other financing sources of \$4,118,684 in 2021. The expenditures and other financing uses of the various improvements fund totaled \$3,809,095 in 2021. The net increase in fund balance for the various improvements fund was \$309,589 or 16.32%.
- Net position for the business-type activities, which are made up of the water and sewer enterprise funds, increased in 2021 by \$2,242,600.
- In the general fund, the actual revenues came in less than the final budgeted revenues by \$51,774 and actual expenditures and other financing uses were \$603,447 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues were increased \$275,950 from the original budget to the final budget. Total budgeted expenditures and other financing uses were decreased \$264,075 from the original budget to the final budget.

#### **The Basic Financial Statements**

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

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

## CITY OF WATERVILLE

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

#### **Reporting the City as a Whole**

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

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

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

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

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

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

#### **Reporting the City's Most Significant Funds**

##### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The City has no fiduciary funds.

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

##### ***Governmental Funds***

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

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

**CITY OF WATERVILLE**

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

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

***Proprietary Funds***

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer functions. All of the City's enterprise funds are considered major funds.

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

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

***Required Supplementary Information***

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

THIS SECTION IS INTENTIONALLY LEFT BLANK

**CITY OF WATERVILLE**

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

**Government-Wide Financial Analysis**

The table below provides a summary of the City’s assets, deferred inflows of resources, liabilities, deferred outflows of resources and net position at December 31, 2021 and 2020.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Assets</b>						
Current and other assets	\$ 11,685,564	\$ 9,329,528	\$ 2,808,471	\$ 3,024,853	\$ 14,494,035	\$ 12,354,381
Capital assets, net	<u>16,945,136</u>	<u>14,322,397</u>	<u>15,502,856</u>	<u>13,753,699</u>	<u>32,447,992</u>	<u>28,076,096</u>
Total assets	<u>28,630,700</u>	<u>23,651,925</u>	<u>18,311,327</u>	<u>16,778,552</u>	<u>46,942,027</u>	<u>40,430,477</u>
<b>Deferred outflows of resources</b>						
Unamortized deferred charges	19,238	-	-	-	19,238	-
Pension	497,271	470,522	66,178	66,557	563,449	537,079
OPEB	<u>233,920</u>	<u>268,664</u>	<u>33,250</u>	<u>45,332</u>	<u>267,170</u>	<u>313,996</u>
Total deferred outflows of resources	<u>750,429</u>	<u>739,186</u>	<u>99,428</u>	<u>111,889</u>	<u>849,857</u>	<u>851,075</u>
<b>Liabilities</b>						
Current liabilities	820,692	451,977	193,355	1,840,357	1,014,047	2,292,334
Long-term liabilities:						
Due within one year	463,173	167,709	470,621	391,972	933,794	559,681
Net pension liability	2,536,261	2,791,046	302,070	376,879	2,838,331	3,167,925
Net OPEB liability	304,084	851,144	-	282,904	304,084	1,134,048
Other amounts	<u>2,804,068</u>	<u>1,470,906</u>	<u>6,719,699</u>	<u>5,628,060</u>	<u>9,523,767</u>	<u>7,098,966</u>
Total liabilities	<u>6,928,278</u>	<u>5,732,782</u>	<u>7,685,745</u>	<u>8,520,172</u>	<u>14,614,023</u>	<u>14,252,954</u>
<b>Deferred inflows of resources</b>						
Property taxes	1,301,010	1,293,277	-	-	1,301,010	1,293,277
Pension	826,278	784,371	138,671	96,824	964,949	881,195
OPEB	<u>445,389</u>	<u>314,937</u>	<u>115,217</u>	<u>44,923</u>	<u>560,606</u>	<u>359,860</u>
Total deferred inflows of resources	<u>2,572,677</u>	<u>2,392,585</u>	<u>253,888</u>	<u>141,747</u>	<u>2,826,565</u>	<u>2,534,332</u>
<b>Net position</b>						
Net investment in capital assets	13,800,340	12,786,699	10,787,834	8,954,044	24,588,174	21,740,743
Restricted	2,970,692	2,838,615	-	-	2,970,692	2,838,615
Unrestricted (deficit)	<u>3,109,142</u>	<u>640,430</u>	<u>(316,712)</u>	<u>(725,522)</u>	<u>2,792,430</u>	<u>(85,092)</u>
Total net position	<u>\$ 19,880,174</u>	<u>\$ 16,265,744</u>	<u>\$ 10,471,122</u>	<u>\$ 8,228,522</u>	<u>\$ 30,351,296</u>	<u>\$ 24,494,266</u>

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

## CITY OF WATERVILLE

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

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

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2021, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$30,351,296. At year-end, net position was \$19,880,174 and \$10,471,122 for the governmental activities and the business-type activities, respectively.

**CITY OF WATERVILLE**

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

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 69.12% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and infrastructure (streets and water and sewer lines). The City's net investment in capital assets at December 31, 2021, was \$13,800,340 and \$10,787,834 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$2,970,692, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position is a balance of \$3,109,142.

The City reported an increase of \$4,371,896 in net capital assets over 2020. The City received contributions of streets, water, sewer and storm water lines from developers in 2021. Also, the City undertook several street resurfacing projects and purchased a new fire ladder truck.

Current liabilities decreased \$1,278,287 because the City refinanced the bond anticipation notes that were outstanding at December 31, 2020 with long-term bonds. This is also the reason for the corresponding increase in long-term liabilities (excluding the net pension liability and the net OPEB liability) at December 31, 2021.

THIS SPACE INTENTIONALLY LEFT BLANK



**CITY OF WATERVILLE**

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

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

	<b>Change in Net Position</b>					
	Governmental		Business-type		2021	2020
	Activities	Activities	Activities	Activities		
	2021	2021	2020	2020	Total	Total
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 756,718	\$ 2,771,320	\$ 531,979	\$ 2,642,456	\$ 3,528,038	\$ 3,174,435
Operating grants and contributions	735,772	-	652,039	-	735,772	652,039
Capital grants and contributions	1,012,531	1,804,881	294,037	-	2,817,412	294,037
Total program revenues	<u>2,505,021</u>	<u>4,576,201</u>	<u>1,478,055</u>	<u>2,642,456</u>	<u>7,081,222</u>	<u>4,120,511</u>
General revenues:						
Property taxes	1,557,410	-	693,067	-	1,557,410	693,067
Income taxes	4,109,044	-	3,791,437	-	4,109,044	3,791,437
Other taxes	155,791	-	94,343	-	155,791	94,343
Payments in lieu of taxes	172,967	-	146,707	-	172,967	146,707
Unrestricted grants and entitlements	409,400	-	341,988	-	409,400	341,988
Investment earnings	3,905	(2,356)	51,281	20,496	1,549	71,777
Miscellaneous	77,990	44,411	352,883	95,204	122,401	448,087
Total general revenues	<u>6,486,507</u>	<u>42,055</u>	<u>5,471,706</u>	<u>115,700</u>	<u>6,528,562</u>	<u>5,587,406</u>
Total revenues	<u>8,991,528</u>	<u>4,618,256</u>	<u>6,949,761</u>	<u>2,758,156</u>	<u>13,609,784</u>	<u>9,707,917</u>
<b>Expenses:</b>						
General government	1,073,696	-	1,330,024	-	1,073,696	1,330,024
Security of persons and property						
Police	1,346,060	-	1,404,941	-	1,346,060	1,404,941
Fire	1,163,748	-	908,664	-	1,163,748	908,664
Other	124,724	-	53,695	-	124,724	53,695
Leisure time activity	164,538	-	112,751	-	164,538	112,751
Community environment	147,263	-	114,590	-	147,263	114,590
Transportation	872,997	-	1,314,371	-	872,997	1,314,371
Basic utility services	329,934	-	309,643	-	329,934	309,643
Interest and fiscal charges	154,138	-	49,994	-	154,138	49,994
Water	-	1,592,452	-	1,793,557	1,592,452	1,793,557
Sewer	-	783,204	-	1,014,217	783,204	1,014,217
Total expenses	<u>5,377,098</u>	<u>2,375,656</u>	<u>5,598,673</u>	<u>2,807,774</u>	<u>7,752,754</u>	<u>8,406,447</u>
Change in net position	3,614,430	2,242,600	1,351,088	(49,618)	5,857,030	1,301,470
<b>Net position at beginning of year</b>	<u>16,265,744</u>	<u>8,228,522</u>	<u>14,914,656</u>	<u>8,278,140</u>	<u>24,494,266</u>	<u>23,192,796</u>
<b>Net position at end of year</b>	<u>\$ 19,880,174</u>	<u>\$ 10,471,122</u>	<u>\$ 16,265,744</u>	<u>\$ 8,228,522</u>	<u>\$ 30,351,296</u>	<u>\$ 24,494,266</u>

**CITY OF WATERVILLE**

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

**Governmental Activities**

Governmental activities net position increased \$3,614,430 in 2021.

Expenses of the governmental activities decreased \$221,575 or 3.96%. This decrease is primarily the result of the decrease in OPEB expense for the Ohio Public Employees Retirement System (OPERS). On January 15, 2020, OPERS approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation which are reported by the City at December 31, 2021. These changes along with changes in assumptions related to an increase in discount rate from 3.16% to 6.00% significantly decreased the total OPEB liability for the measurement date December 31, 2020.

Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$2,634,532, which accounted for 48.09% of the total governmental activities expenses of the City. These expenses were partially funded by \$251,061 in direct charges to users of the services and \$310,179 in operating grants and contributions. Security of persons and property expenses decreased \$267,232 from 2020.

General government expenses totaled \$1,073,696, which was partially funded by \$81,319 in direct charges to users of the services and \$6,372 in operating grants and contributions.

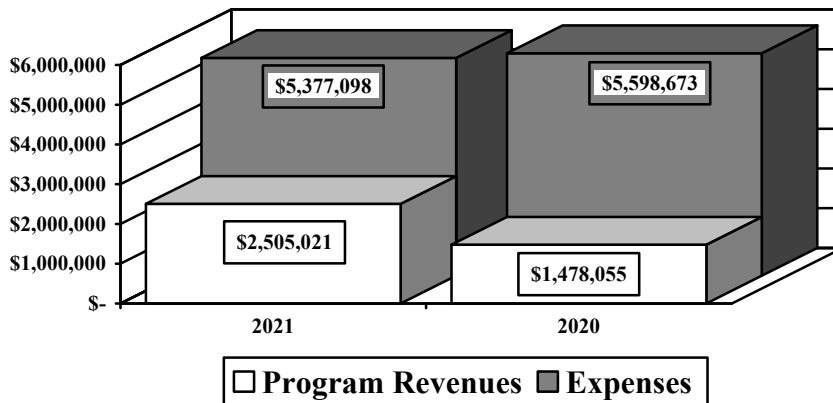
Transportation expenses totaled \$872,997, which was funded by \$417,334 in operating grants and contributions and capital grants and contributions of \$1,012,531. The capital contributions were streets accepted by the City from developers.

General revenues totaled \$6,486,507 and amounted to 72.14% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$5,666,454. Property taxes increased over 2020 because 2021 was the first year of collection on the fire property tax levy. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue and property tax reimbursements, making up \$409,400.

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

The following graph shows program revenues and total expenses of the governmental activities for 2021 and 2020.

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



**CITY OF WATERVILLE**

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

The following table shows the cost of services and net cost of services of the governmental activities for 2021 and 2020.

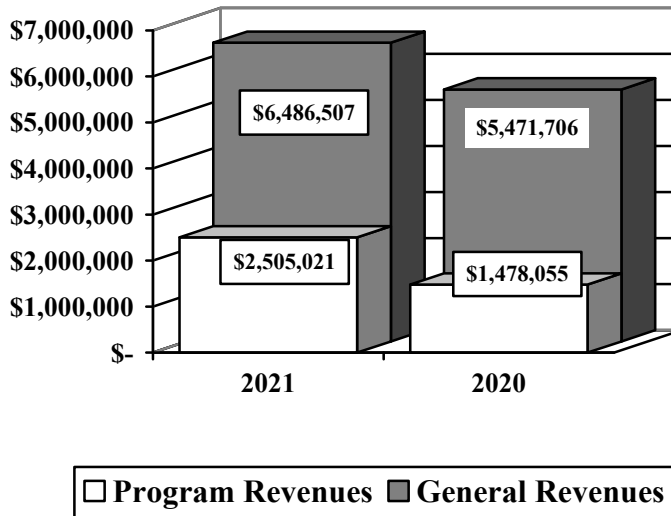
**Governmental Activities**

	Total Cost of Services 2021	Net Cost of Services 2021	Total Cost of Services 2020	Net Cost of Services 2020
<b>Program expenses:</b>				
General government	\$ 1,073,696	\$ 986,005	\$ 1,330,024	\$ 1,180,860
Security of persons and property				
Police	1,346,060	1,313,006	1,404,941	1,362,744
Fire	1,163,748	635,562	908,664	662,826
Other	124,724	124,724	53,695	53,695
Leisure time activity	164,538	120,568	112,751	107,594
Community environment	147,263	91,297	114,590	114,282
Transportation	872,997	(556,868)	1,314,371	588,500
Basic utility services	329,934	3,645	309,643	123
Interest and fiscal charges	154,138	154,138	49,994	49,994
<b>Total</b>	<b>\$ 5,377,098</b>	<b>\$ 2,872,077</b>	<b>\$ 5,598,673</b>	<b>\$ 4,120,618</b>

The dependence upon general revenues for governmental activities is apparent, with 53.41% and 73.60% of expenses supported through taxes and other general revenues for 2021 and 2020, respectively.

The following graph shows general and program revenues of governmental activities for 2021 and 2020.

**Governmental Activities – General and Program Revenues**



**CITY OF WATERVILLE**

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

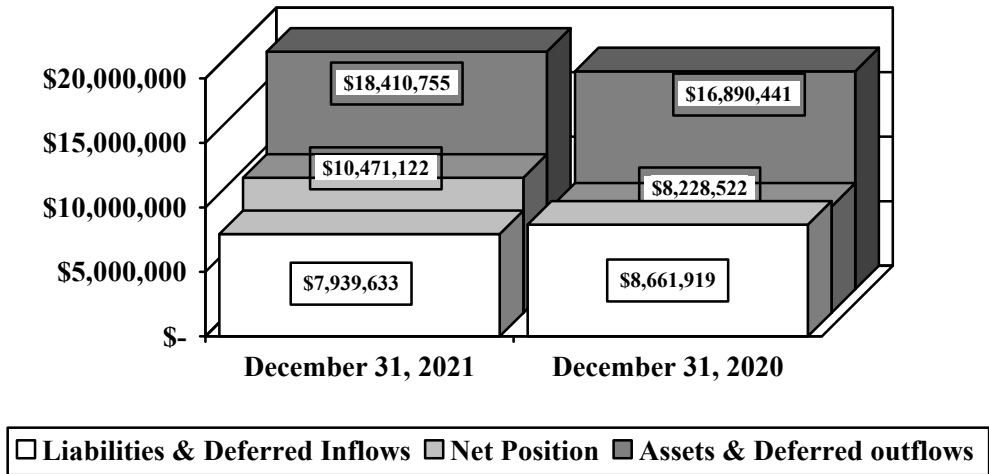
**Business-Type Activities**

Business-type activities include the water and sewer enterprise funds. These programs had program revenues of \$4,576,201, general revenues of \$42,055 and expenses of \$2,375,656 for 2021. The water fund had expenses of \$1,592,452, which were entirely funded by user charges for services of \$1,835,542. The sewer fund had expenses of \$783,204, which were entirely funded by user charges for services of \$935,778.

The business-type activities also accepted \$1,804,881 in capital contributions from developers during 2021.

The graph below shows the business-type activities assets, deferred outflows, liabilities, deferred inflows and net position at December 31, 2021 and 2020.

**Net Position in Business-Type Activities**



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

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

**Governmental Funds**

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

The City’s governmental funds reported a combined fund balance of \$7,726,051, which is \$1,461,366 greater than the previous year’s fund balance of \$6,264,685. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2020 for all major and nonmajor governmental funds.

**CITY OF WATERVILLE**

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

	Fund Balances <u>12/31/21</u>	Fund Balances <u>12/31/20</u>	<u>Change</u>
<b>Major funds:</b>			
General	\$ 4,549,641	\$ 3,537,522	\$ 1,012,119
Fire levy	201,565	-	201,565
Various improvements	2,206,676	1,897,087	309,589
Nonmajor governmental funds	<u>768,169</u>	<u>830,076</u>	<u>(61,907)</u>
Total	<u>\$ 7,726,051</u>	<u>\$ 6,264,685</u>	<u>\$ 1,461,366</u>

**General Fund**

The City's general fund balance increased \$1,012,119, primarily due to an increase in income tax revenue during 2021. The table that follows assists in illustrating the revenues of the general fund.

	2021 <u>Amount</u>	2020 <u>Amount</u>	Percentage <u>Change</u>
<b>Revenues:</b>			
Taxes	\$ 3,634,776	\$ 3,293,831	10.35 %
Charges for services	600,610	490,056	22.56 %
Licenses and permits	37,926	27,317	38.84 %
Fines and forfeitures	5,705	4,916	16.05 %
Intergovernmental	384,328	336,033	14.37 %
Investment income	4,828	34,502	(86.01) %
Other	<u>106,399</u>	<u>306,290</u>	(65.26) %
Total	<u>\$ 4,774,572</u>	<u>\$ 4,492,945</u>	6.27 %

Tax revenue represents 76.13% of all general fund revenue. Tax revenue increased 10.35% from 2020 due to fewer business closures in 2021 related to the COVID-19 pandemic. Intergovernmental revenue increased slightly because of an increased amount of Local Government Revenue received from the State. Investment income decreased because of the decline in the fair value of the City's investments. Other revenue decreased because the City did not receive dividends from the Ohio Bureau of Workers' Compensation in 2021.

**CITY OF WATERVILLE**

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

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

	<u>2021</u> <u>Amount</u>	<u>2020</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b>Expenditures:</b>			
General government	\$ 1,136,320	\$ 1,010,270	12.48 %
Security of persons and property			
Police	1,354,695	1,169,751	15.81 %
Fire	203,404	595,409	(65.84) %
Other	117,179	119,390	(1.85) %
Community environment	61,158	78,595	(22.19) %
Leisure-time activity	21,650	-	100.00 %
Basic utility services	<u>328,047</u>	<u>293,027</u>	11.95 %
<b>Total</b>	<u>\$ 3,222,453</u>	<u>\$ 3,266,442</u>	(1.35) %

Overall, general fund expenditures decreased 1.35%. The primary reason for the decrease was the City was able to use the fire levy fund for some fire department expenditures during 2021. 2021 was the first year of collection on the fire property tax levy passed by the City’s voters.

***Fire Levy Fund***

The fire levy fund had revenues and other financing sources of \$1,051,598 in 2021. The expenditures of the fire levy fund totaled \$850,033 in 2021. 2021 was the first year of operation for the fire levy fund. The December 31, 2021 fund balance totaled \$201,265.

***Various Improvement Fund***

The various improvements fund had revenues and other financing sources of \$4,118,684 in 2021. The expenditures and other financing uses of the various improvements fund totaled \$3,809,095 in 2021. The City uses this fund for capital purchases and improvements. The most significant capital purchase during 2021 was a fire ladder truck for approximately \$1.4 million. The City also issued long-term bonds and retired the previously outstanding bond anticipation notes through this fund during 2021. The net increase in fund balance for the various improvements fund was \$309,589 or 16.32%.

***Budgeting Highlights - General Fund***

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

In the general fund, the actual revenues came in less than the final budgeted revenues by \$51,774 and actual expenditures and other financing uses were \$603,447 less than the amount in the final budget. These variances are the result of the City’s conservative budgeting. Budgeted revenues were increased \$275,950 from the original budget to the final budget. Original budgeted expenditures were decreased by \$264,075 in the final budgeted expenditures primarily due to the fire levy fund being used in 2021 to pay for more fire department expenditures.

***Proprietary Funds***

The City’s proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail.

**CITY OF WATERVILLE**

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

The City's proprietary funds, consisting of the water and sewer enterprise funds reported a combined increase in net position of \$2,242,600. This increase is due to capital contributions of water, sewer and storm water lines accepted by the City during 2021. Also, the decrease of the net OPEB liability increased the net position of both the water and sewer funds.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2021 the City had \$32,447,992 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, land improvements, furniture, fixtures and equipment, vehicles, streets and water, sewer and storm sewer lines. Of this total, \$16,945,136 was reported in governmental activities and \$15,502,856 was reported in business-type activities. See Note 9 to the basic financial statements for more detail on the City's capital assets. The following table shows 2021 balances compared to 2020.

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,939,933	\$ 1,939,933	\$ 33,643	\$ 33,643	\$ 1,973,576	\$ 1,973,576
Construction-in-progress	107,836	-	481,885	-	589,721	-
Land improvements	784,692	741,810	-	-	784,692	741,810
Buildings and improvements	1,037,794	1,016,477	67,494	69,897	1,105,288	1,086,374
Furniture, fixtures and equipment	575,687	440,393	361,770	435,235	937,457	875,628
Vehicles	2,689,476	1,159,386	36,994	41,530	2,726,470	1,200,916
Streets	9,809,718	9,024,398	-	-	9,809,718	9,024,398
Water, sewer and storm sewer lines	-	-	14,521,070	13,173,394	14,521,070	13,173,394
<b>Totals</b>	<b>\$ 16,945,136</b>	<b>\$ 14,322,397</b>	<b>\$ 15,502,856</b>	<b>\$ 13,753,699</b>	<b>\$ 32,447,992</b>	<b>\$ 28,076,096</b>

The City's largest governmental capital asset category is for streets. These items are immovable and of value only to the City, however, the annual cost of purchasing and improving these items is quite significant.

The City's largest business-type capital asset category is water, sewer and storm water lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of this item represents approximately 93.67% of the City's total business-type capital assets.

**CITY OF WATERVILLE**

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

***Debt Administration***

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

	Governmental Activities	
	2021	2020
General obligation bonds	\$ 2,955,000	\$ 1,365,000
OPWC loan	80,029	98,497
Capital lease	14,800	22,201
Net pension liability	2,536,261	2,791,046
Net OPEB liability	304,084	851,144
Compensated absences	174,740	152,917
Total long-term obligations	<u>\$ 6,064,914</u>	<u>\$ 5,280,805</u>
	Business-type Activities	
	2021	2020
General obligation bonds	\$ 4,290,000	\$ 2,875,000
OWDA loan	24,206	26,546
OPWC loans	387,676	447,109
Due to Lucas County	2,425,740	2,625,123
Net pension liability	302,070	376,879
Net OPEB liability	-	282,904
Compensated absences	49,558	46,254
Total long-term obligations	<u>\$ 7,479,250</u>	<u>\$ 6,679,815</u>

During 2021, the City issued general obligation bonds to retire the previously outstanding bond anticipation notes. The City also issued the bonds to provide funds for a new fire ladder truck and a fire truck. The City refunded the 2012 governmental activities general obligation bonds to obtain debt service savings over the life of the new bonds.

See Note 11 to the basic financial statements for more detail on the City’s long-term obligations.

**Economic Conditions and Outlook**

2021 saw an increase in income tax revenue as work stoppages related to the COVID-19 pandemic eased. 2021 was also the first year of collection on the fire property tax levy that was approved by voters. The City also spent the remaining CARES Act money and received the first half of the funds from the American Rescue and Recovery Act of 2021.

Some of the City’s significant accomplishments during 2021 are listed below:

- Total income tax revenue was \$4,122,919. Of this amount \$3,092,120 was the general fund’s portion.
- The continued replacement of water/sewer meters throughout the City.
- The City purchased a new fire ladder truck for approximately \$1.4 million.
- The City purchased a new ambulance for approximately \$271,000.



## CITY OF WATERVILLE

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

- The City completed several paving projects on the City's streets and started a downtown street lighting project.

#### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Mark S. Williams, CFE, Finance Director, City of Waterville, 25 North Second Street, Waterville, Ohio 43566 at [mwilliams@waterville.org](mailto:mwilliams@waterville.org) or by calling (419) 878-8100.

THIS PAGE IS INTENTIONALLY LEFT BLANK

**CITY OF WATERVILLE**

STATEMENT OF NET POSITION  
DECEMBER 31, 2021

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . .	\$ 7,713,409	\$ 2,437,820	\$ 10,151,229
Receivables:			
Income taxes. . . . .	1,128,899	-	1,128,899
Property taxes. . . . .	1,815,210	-	1,815,210
Accounts. . . . .	105,960	275,425	381,385
Special assessments . . . . .	3,849	-	3,849
Accrued interest . . . . .	5,402	1,246	6,648
Due from other governments. . . . .	367,020	-	367,020
Other local taxes. . . . .	4,800	-	4,800
Materials and supplies inventory. . . . .	53,230	26,992	80,222
Prepayments . . . . .	371,291	6,288	377,579
Net pension asset. . . . .	41,051	21,390	62,441
Net OPEB asset. . . . .	75,443	39,310	114,753
Capital assets:			
Nondepreciable capital assets. . . . .	2,047,769	515,528	2,563,297
Depreciable capital assets, net. . . . .	14,897,367	14,987,328	29,884,695
Total capital assets, net. . . . .	<u>16,945,136</u>	<u>15,502,856</u>	<u>32,447,992</u>
Total assets . . . . .	<u>28,630,700</u>	<u>18,311,327</u>	<u>46,942,027</u>
<b>Deferred outflows of resources:</b>			
Unamortized deferred charges on debt refunding	19,238	-	19,238
Pension . . . . .	497,271	66,178	563,449
OPEB. . . . .	233,920	33,250	267,170
Total deferred outflows of resources . . . . .	<u>750,429</u>	<u>99,428</u>	<u>849,857</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	149,283	16,443	165,726
Contracts payable. . . . .	331,533	-	331,533
Accrued wages and benefits payable . . . . .	43,907	6,471	50,378
Due to other governments . . . . .	27,726	158,617	186,343
Accrued interest payable . . . . .	10,590	11,824	22,414
Unearned revenue . . . . .	257,653	-	257,653
Long-term liabilities:			
Due within one year . . . . .	463,173	470,621	933,794
Due in greater than one year:			
Net pension liability. . . . .	2,536,261	302,070	2,838,331
Net OPEB liability. . . . .	304,084	-	304,084
Other amounts due in more than one year. . . . .	2,804,068	6,719,699	9,523,767
Total liabilities . . . . .	<u>6,928,278</u>	<u>7,685,745</u>	<u>14,614,023</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . . .	1,301,010	-	1,301,010
Pension . . . . .	826,278	138,671	964,949
OPEB. . . . .	445,389	115,217	560,606
Total deferred inflows of resources . . . . .	<u>2,572,677</u>	<u>253,888</u>	<u>2,826,565</u>
<b>Net position:</b>			
Net investment in capital assets. . . . .	13,800,340	10,787,834	24,588,174
Restricted for:			
Capital projects . . . . .	2,479,223	-	2,479,223
Street construction, maintenance and repair. . . . .	458,236	-	458,236
Other purposes. . . . .	33,233	-	33,233
Unrestricted (deficit) . . . . .	3,109,142	(316,712)	2,792,430
Total net position . . . . .	<u>\$ 19,880,174</u>	<u>\$ 10,471,122</u>	<u>\$ 30,351,296</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WATERVILLE**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
General government. . . . .	\$ 1,073,696	\$ 81,319	\$ 6,372	\$ -
Security of persons and property:				
Police . . . . .	1,346,060	3,656	29,398	-
Fire. . . . .	1,163,748	247,405	280,781	-
Other . . . . .	124,724	-	-	-
Leisure time activity. . . . .	164,538	43,970	-	-
Transportation . . . . .	872,997	-	417,334	1,012,531
Community environment. . . . .	147,263	55,966	-	-
Basic utility services . . . . .	329,934	324,402	1,887	-
Interest and fiscal charges. . . . .	154,138	-	-	-
Total governmental activities . . . . .	<u>5,377,098</u>	<u>756,718</u>	<u>735,772</u>	<u>1,012,531</u>
<b>Business-type activities:</b>				
Sewer. . . . .	783,204	935,778	-	1,389,604
Water . . . . .	1,592,452	1,835,542	-	415,277
Total business-type activities . . . . .	<u>2,375,656</u>	<u>2,771,320</u>	<u>-</u>	<u>1,804,881</u>
Total primary government . . . . .	<u>\$ 7,752,754</u>	<u>\$ 3,528,038</u>	<u>\$ 735,772</u>	<u>\$ 2,817,412</u>

**General revenues:**

- Property taxes levied for:
  - General purposes . . . . .
  - Police pension. . . . .
  - Fire operations. . . . .
- Income taxes levied for:
  - General purposes . . . . .
  - Capital purposes. . . . .
- Other local taxes:
  - Franchise taxes. . . . .
  - Permissive motor vehicle license tax. . . . .
- Payments in lieu of taxes . . . . .
- Grants and entitlements not restricted
  - to specific programs . . . . .
- Investment earnings . . . . .
- Miscellaneous . . . . .

Total general revenues . . . . .

Change in net position . . . . .

**Net position at beginning of year . . . . .**

**Net position at end of year. . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue  
and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (986,005)	\$ -	\$ (986,005)
(1,313,006)	-	(1,313,006)
(635,562)	-	(635,562)
(124,724)	-	(124,724)
(120,568)	-	(120,568)
556,868	-	556,868
(91,297)	-	(91,297)
(3,645)	-	(3,645)
(154,138)	-	(154,138)
<u>(2,872,077)</u>	<u>-</u>	<u>(2,872,077)</u>
-	1,542,178	1,542,178
-	658,367	658,367
-	<u>2,200,545</u>	<u>2,200,545</u>
<u>(2,872,077)</u>	<u>2,200,545</u>	<u>(671,532)</u>
693,737	-	693,737
61,317	-	61,317
802,356	-	802,356
3,081,783	-	3,081,783
1,027,261	-	1,027,261
98,498	-	98,498
57,293	-	57,293
172,967	-	172,967
409,400	-	409,400
3,905	(2,356)	1,549
77,990	44,411	122,401
<u>6,486,507</u>	<u>42,055</u>	<u>6,528,562</u>
3,614,430	2,242,600	5,857,030
<u>16,265,744</u>	<u>8,228,522</u>	<u>24,494,266</u>
<u>\$ 19,880,174</u>	<u>\$ 10,471,122</u>	<u>\$ 30,351,296</u>

**CITY OF WATERVILLE**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021

	<u>General</u>	<u>Fire Levy</u>	<u>Various Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . .	\$ 4,309,992	\$ 216,755	\$ 2,168,699	\$ 1,017,963	\$ 7,713,409
Receivables:					
Income taxes. . . . .	846,674	-	282,225	-	1,128,899
Property taxes. . . . .	861,779	877,281	-	76,150	1,815,210
Accounts. . . . .	82,779	-	992	22,189	105,960
Special assessments . . . . .	-	-	3,849	-	3,849
Accrued interest . . . . .	3,285	-	1,821	296	5,402
Due from other governments. . . . .	181,996	3,976	-	181,048	367,020
Other local taxes. . . . .	-	-	-	4,800	4,800
Materials and supplies inventory. . . . .	23,721	-	-	29,509	53,230
Prepayments . . . . .	24,281	791	340,302	5,917	371,291
Total assets . . . . .	<u>\$ 6,334,507</u>	<u>\$ 1,098,803</u>	<u>\$ 2,797,888</u>	<u>\$ 1,337,872</u>	<u>\$ 11,569,070</u>
<b>Liabilities:</b>					
Accounts payable. . . . .	\$ 51,917	\$ -	\$ 46,168	\$ 51,198	\$ 149,283
Contracts payable. . . . .	-	-	331,533	-	331,533
Accrued wages and benefits payable . . . . .	28,797	11,964	-	3,146	43,907
Due to other governments . . . . .	13,635	4,017	1,907	8,167	27,726
Unearned revenue . . . . .	-	-	-	257,653	257,653
Total liabilities . . . . .	<u>94,349</u>	<u>15,981</u>	<u>379,608</u>	<u>320,164</u>	<u>810,102</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year. . .	605,534	642,048	-	53,428	1,301,010
Delinquent property tax revenue not available. . .	256,245	235,233	-	22,722	514,200
Accrued interest not available . . . . .	946	-	524	85	1,555
Special assessments revenue not available. . . .	-	-	3,134	-	3,134
Miscellaneous revenue not available. . . . .	48,317	-	-	22,189	70,506
Income tax revenue not available . . . . .	623,837	-	207,946	-	831,783
Intergovernmental revenue not available . . . .	155,638	3,976	-	151,115	310,729
Total deferred inflows of resources . . . . .	<u>1,690,517</u>	<u>881,257</u>	<u>211,604</u>	<u>249,539</u>	<u>3,032,917</u>
<b>Fund balances:</b>					
Nonspendable . . . . .	48,002	791	340,302	35,426	424,521
Restricted. . . . .	-	200,774	1,866,374	567,291	2,634,439
Committed . . . . .	52,256	-	-	165,452	217,708
Assigned . . . . .	17,152	-	-	-	17,152
Unassigned . . . . .	4,432,231	-	-	-	4,432,231
Total fund balances. . . . .	<u>4,549,641</u>	<u>201,565</u>	<u>2,206,676</u>	<u>768,169</u>	<u>7,726,051</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 6,334,507</u>	<u>\$ 1,098,803</u>	<u>\$ 2,797,888</u>	<u>\$ 1,337,872</u>	<u>\$ 11,569,070</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WATERVILLE**

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

<b>Total governmental fund balances</b>		\$	7,726,051
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			16,945,136
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Income taxes receivable	\$	831,783	
Property taxes receivable		514,200	
Accounts receivable		70,506	
Intergovernmental receivable		310,729	
Special assessments receivable		3,134	
Accrued interest receivable		1,555	
Total		1,731,907	1,731,907
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(10,590)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.			19,238
Unamortized premiums on bond issuances are not recognized in the funds.			(42,672)
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.			
Net pension asset		41,051	
Deferred outflows of resources		497,271	
Deferred inflows of resources		(826,278)	
Net pension liability		(2,536,261)	
Total		(2,824,217)	(2,824,217)
The net OPEB asset and net OPEB liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.			
Net OPEB asset		75,443	
Deferred outflows of resources		233,920	
Deferred inflows of resources		(445,389)	
Net OPEB liability		(304,084)	
Total		(440,110)	(440,110)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		174,740	
Capital lease payable		14,800	
General obligation bonds payable		2,955,000	
Loans payable		80,029	
Total		(3,224,569)	(3,224,569)
<b>Net position of governmental activities</b>		<b>\$</b>	<b>19,880,174</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WATERVILLE**

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

	<u>General</u>	<u>Fire Levy</u>	<u>Various Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Income taxes . . . . .	\$ 3,092,190	\$ -	\$ 1,030,729	\$ -	\$ 4,122,919
Property taxes. . . . .	542,586	567,123	-	47,912	1,157,621
Charges for services. . . . .	600,610	-	-	1,800	602,410
Licenses and permits . . . . .	37,926	-	-	98,465	136,391
Fines and forfeitures . . . . .	5,705	-	-	1,725	7,430
Intergovernmental. . . . .	384,328	9,353	-	705,836	1,099,517
Special assessments . . . . .	-	-	2,473	-	2,473
Investment income. . . . .	4,828	-	(400)	(404)	4,024
Rental income . . . . .	43,970	-	-	-	43,970
Other local taxes. . . . .	-	-	-	63,038	63,038
Payments in lieu of taxes. . . . .	-	-	-	172,967	172,967
Other . . . . .	62,429	122	61,797	4,502	128,850
Total revenues . . . . .	<u>4,774,572</u>	<u>576,598</u>	<u>1,094,599</u>	<u>1,095,841</u>	<u>7,541,610</u>
<b>Expenditures:</b>					
Current:					
General government . . . . .	1,136,320	-	122,292	179,339	1,437,951
Security of persons and property:					
Police. . . . .	1,354,695	-	66,105	83,498	1,504,298
Fire. . . . .	203,404	850,033	1,478,838	275,651	2,807,926
Other . . . . .	117,179	-	53,575	-	170,754
Leisure time activity . . . . .	21,650	-	-	238,957	260,607
Transportation. . . . .	-	-	443,457	418,416	861,873
Community environment . . . . .	61,158	-	86,105	-	147,263
Basic utility services . . . . .	328,047	-	-	1,887	329,934
Debt service:					
Principal retirement. . . . .	-	-	170,869	-	170,869
Interest and fiscal charges . . . . .	-	-	46,472	-	46,472
Bond issuance costs . . . . .	-	-	101,626	-	101,626
Total expenditures . . . . .	<u>3,222,453</u>	<u>850,033</u>	<u>2,569,339</u>	<u>1,197,748</u>	<u>7,839,573</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>1,552,119</u>	<u>(273,435)</u>	<u>(1,474,740)</u>	<u>(101,907)</u>	<u>(297,963)</u>
<b>Other financing sources (uses):</b>					
Bond issuance. . . . .	-	-	2,955,000	-	2,955,000
Payment to refunded bond escrow agent . . . . .	-	-	(1,239,756)	-	(1,239,756)
Transfers in . . . . .	-	475,000	25,000	40,000	540,000
Transfers (out). . . . .	(540,000)	-	-	-	(540,000)
Premium on bond issuance . . . . .	-	-	44,085	-	44,085
Total other financing sources (uses) . . . . .	<u>(540,000)</u>	<u>475,000</u>	<u>1,784,329</u>	<u>40,000</u>	<u>1,759,329</u>
Net change in fund balances . . . . .	1,012,119	201,565	309,589	(61,907)	1,461,366
<b>Fund balances at beginning of year . . . . .</b>	<u>3,537,522</u>	<u>-</u>	<u>1,897,087</u>	<u>830,076</u>	<u>6,264,685</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 4,549,641</u>	<u>\$ 201,565</u>	<u>\$ 2,206,676</u>	<u>\$ 768,169</u>	<u>\$ 7,726,051</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF WATERVILLE**

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

<b>Net change in fund balances - total governmental funds</b>	\$	1,461,366
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 3,431,152	
Current year depreciation	(808,413)	
Total		2,622,739
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	(13,875)	
Property taxes	399,789	
Intergovernmental revenues	40,370	
Special assessments	653	
Investment income	(579)	
Other	11,029	
Total		437,387
The issuance of bonds is reported as other financing sources in the governmental funds; however, in the statement of activities they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(2,955,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		170,869
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities.		
Bonds refunded	1,220,000	
Deferred charges on refunding	19,756	
Total		1,239,756
Premiums on general obligation bonds are recognized as other financing sources in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		(44,085)
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due.		
Increase in accrued interest payable	(6,935)	
Amortization of deferred amounts on refunding	(518)	
Amortization of bond premiums	1,413	
Total		(6,040)
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	329,467	
OPEB	7,012	
Total		336,479
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(77,513)	
OPEB	450,295	
Total		372,782
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(21,823)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>3,614,430</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WATERVILLE**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Income taxes . . . . .	\$ 2,820,075	\$ 3,000,075	\$ 3,033,611	\$ 33,536
Property taxes . . . . .	535,500	548,500	542,586	(5,914)
Charges for services . . . . .	620,268	642,768	598,904	(43,864)
Licenses and permits . . . . .	26,800	40,100	37,926	(2,174)
Fines and forfeitures . . . . .	9,700	9,700	5,805	(3,895)
Intergovernmental . . . . .	338,900	385,550	381,000	(4,550)
Investment income . . . . .	25,000	25,000	25,010	10
Rental income . . . . .	43,422	43,422	43,970	548
Other . . . . .	87,200	87,700	62,229	(25,471)
Total revenues . . . . .	<u>4,506,865</u>	<u>4,782,815</u>	<u>4,731,041</u>	<u>(51,774)</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	1,276,237	1,370,228	1,143,974	226,254
Security of persons and property:				
Police . . . . .	1,320,295	1,505,510	1,351,281	154,229
Fire . . . . .	1,415,475	311,536	235,920	75,616
Other . . . . .	121,050	128,150	119,516	8,634
Leisure time activity . . . . .	22,400	22,400	21,650	750
Community environment . . . . .	96,438	110,437	71,699	38,738
Basic utility services . . . . .	362,158	362,760	327,491	35,269
Total expenditures . . . . .	<u>4,614,053</u>	<u>3,811,021</u>	<u>3,271,531</u>	<u>539,490</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(107,188)</u>	<u>971,794</u>	<u>1,459,510</u>	<u>487,716</u>
<b>Other financing uses:</b>				
Transfers out . . . . .	<u>(65,000)</u>	<u>(603,957)</u>	<u>(540,000)</u>	<u>63,957</u>
Total other financing uses . . . . .	<u>(65,000)</u>	<u>(603,957)</u>	<u>(540,000)</u>	<u>63,957</u>
Net change in fund balances . . . . .	(172,188)	367,837	919,510	551,673
<b>Fund balances at beginning of year (restated) . .</b>	3,257,991	3,257,991	3,257,991	-
<b>Prior year encumbrances appropriated . . . . .</b>	47,410	47,410	47,410	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 3,133,213</u>	<u>\$ 3,673,238</u>	<u>\$ 4,224,911</u>	<u>\$ 551,673</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WATERVILLE**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 FIRE LEVY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property taxes . . . . .	\$ -	\$ 567,123	\$ 567,123	\$ -
Intergovernmental . . . . .	-	9,500	9,353	(147)
Other . . . . .	-	125	122	(3)
Total revenues . . . . .	<u>-</u>	<u>576,748</u>	<u>576,598</u>	<u>(150)</u>
<b>Expenditures:</b>				
Current:				
Security of persons and property:				
Fire . . . . .	-	1,009,017	834,843	174,174
Total expenditures . . . . .	<u>-</u>	<u>1,009,017</u>	<u>834,843</u>	<u>174,174</u>
Excess of expenditures over revenues . . . . .	<u>-</u>	<u>(432,269)</u>	<u>(258,245)</u>	<u>174,024</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	-	503,057	475,000	(28,057)
Total other financing sources . . . . .	<u>-</u>	<u>503,057</u>	<u>475,000</u>	<u>(28,057)</u>
Net change in fund balances . . . . .	-	70,788	216,755	145,967
<b>Fund balances at beginning of year . . . . .</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ -</u>	<u>\$ 70,788</u>	<u>\$ 216,755</u>	<u>\$ 145,967</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WATERVILLE**

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2021

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and cash equivalents . . .	\$ 725,125	\$ 1,712,695	\$ 2,437,820
Receivables:			
Accounts . . . . .	96,891	178,534	275,425
Accrued interest . . . . .	284	962	1,246
Materials and supplies inventory . . . . .	2,853	24,139	26,992
Prepayments . . . . .	3,769	2,519	6,288
Total current assets . . . . .	<u>828,922</u>	<u>1,918,849</u>	<u>2,747,771</u>
Noncurrent assets:			
Net pension asset . . . . .	10,896	10,494	21,390
Net OPEB asset . . . . .	20,025	19,285	39,310
Capital assets:			
Nondepreciable capital assets . . . . .	258,965	256,563	515,528
Depreciable capital assets, net . . . . .	6,991,462	7,995,866	14,987,328
Total capital assets, net . . . . .	<u>7,250,427</u>	<u>8,252,429</u>	<u>15,502,856</u>
Total noncurrent assets . . . . .	<u>7,281,348</u>	<u>8,282,208</u>	<u>15,563,556</u>
Total assets . . . . .	<u>8,110,270</u>	<u>10,201,057</u>	<u>18,311,327</u>
<b>Deferred outflows of resources:</b>			
Pension . . . . .	36,168	30,010	66,178
OPEB . . . . .	18,563	14,687	33,250
Total deferred outflows of resources . . . . .	<u>54,731</u>	<u>44,697</u>	<u>99,428</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable . . . . .	5,885	10,558	16,443
Accrued wages and benefits payable . . . . .	3,428	3,043	6,471
Due to other governments . . . . .	869	157,748	158,617
Accrued interest payable . . . . .	1,293	10,531	11,824
Compensated absences payable - current . . . . .	14,968	15,832	30,800
General obligation bonds payable . . . . .	18,000	197,000	215,000
OWDA loans payable . . . . .	2,405	-	2,405
OPWC loans payable . . . . .	17,252	22,445	39,697
Due to Lucas County . . . . .	169,234	13,485	182,719
Total current liabilities . . . . .	<u>233,334</u>	<u>430,642</u>	<u>663,976</u>
Long-term liabilities:			
Compensated absences payable . . . . .	6,225	12,533	18,758
General obligation bonds payable . . . . .	368,800	3,706,200	4,075,000
OWDA loans payable . . . . .	21,801	-	21,801
OPWC loans payable . . . . .	98,203	249,776	347,979
Due to Lucas County . . . . .	2,174,341	68,680	2,243,021
Unamortized premium on bonds . . . . .	602	12,538	13,140
Net pension liability . . . . .	153,877	148,193	302,070
Total long-term liabilities . . . . .	<u>2,823,849</u>	<u>4,197,920</u>	<u>7,021,769</u>
Total liabilities . . . . .	<u>3,057,183</u>	<u>4,628,562</u>	<u>7,685,745</u>
<b>Deferred inflows of resources:</b>			
Pension . . . . .	72,885	65,786	138,671
OPEB . . . . .	57,585	57,632	115,217
Total deferred inflows of resources . . . . .	<u>130,470</u>	<u>123,418</u>	<u>253,888</u>
<b>Net position:</b>			
Net investment in capital assets . . . . .	6,723,364	4,064,470	10,787,834
Unrestricted (deficit) . . . . .	<u>(1,746,016)</u>	<u>1,429,304</u>	<u>(316,712)</u>
Total net position . . . . .	<u>\$ 4,977,348</u>	<u>\$ 5,493,774</u>	<u>\$ 10,471,122</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WATERVILLE**

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

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>
<b>Operating revenues:</b>			
Charges for services . . . . .	\$ 935,778	\$ 1,835,542	\$ 2,771,320
Other operating revenues . . . . .	753	15,009	15,762
Total operating revenues. . . . .	<u>936,531</u>	<u>1,850,551</u>	<u>2,787,082</u>
<b>Operating expenses:</b>			
Personal services . . . . .	129,906	120,490	250,396
Contract services. . . . .	328,165	1,034,814	1,362,979
Materials and supplies. . . . .	8,765	21,275	30,040
Depreciation. . . . .	277,875	309,837	587,712
Other . . . . .	-	2,448	2,448
Total operating expenses. . . . .	<u>744,711</u>	<u>1,488,864</u>	<u>2,233,575</u>
Operating income. . . . .	<u>191,820</u>	<u>361,687</u>	<u>553,507</u>
<b>Nonoperating revenues (expenses):</b>			
Interest and fiscal charges . . . . .	(36,114)	(53,999)	(90,113)
Interest income. . . . .	(1,269)	(1,087)	(2,356)
Other nonoperating revenues . . . . .	28,649	-	28,649
Bond issuance costs. . . . .	(2,379)	(49,589)	(51,968)
Total nonoperating revenues (expenses). . . . .	<u>(11,113)</u>	<u>(104,675)</u>	<u>(115,788)</u>
Income before capital contributions. . . . .	180,707	257,012	437,719
Capital contributions. . . . .	<u>1,389,604</u>	<u>415,277</u>	<u>1,804,881</u>
Change in net position . . . . .	1,570,311	672,289	2,242,600
<b>Net position at beginning of year . . . . .</b>	<u>3,407,037</u>	<u>4,821,485</u>	<u>8,228,522</u>
<b>Net position at end of year . . . . .</b>	<u>\$ 4,977,348</u>	<u>\$ 5,493,774</u>	<u>\$ 10,471,122</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WATERVILLE**

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

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Cash received from charges for services . . . . .	\$ 929,306	\$ 1,843,048	\$ 2,772,354
Cash received from other operations . . . . .	721	14,533	15,254
Cash payments for personal services . . . . .	(271,804)	(252,139)	(523,943)
Cash payments for contractual services . . . . .	(367,087)	(1,035,428)	(1,402,515)
Cash payments for materials and supplies . . . . .	(9,184)	(25,558)	(34,742)
Cash payments for other expenses . . . . .	-	(2,448)	(2,448)
Net cash provided by operating activities . . . . .	<u>281,952</u>	<u>542,008</u>	<u>823,960</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets . . . . .	(289,625)	(242,363)	(531,988)
Principal retirement on OWDA loans . . . . .	(2,340)	-	(2,340)
Principal retirement on OPWC loans . . . . .	(25,768)	(33,665)	(59,433)
Principal retirement on notes . . . . .	(150,000)	(2,986,000)	(3,136,000)
Principal retirement on general obligation bonds . . . . .	(15,000)	(135,000)	(150,000)
Principal retirement to Lucas County . . . . .	(163,992)	(6,742)	(170,734)
Notes issued . . . . .	70,000	1,455,000	1,525,000
Bonds issued . . . . .	71,800	1,493,200	1,565,000
Premium on notes/bonds issued . . . . .	1,035	21,381	22,416
Interest and fiscal charges . . . . .	(42,669)	(120,042)	(162,711)
Net cash used in capital and related financing activities . . . . .	<u>(546,559)</u>	<u>(554,231)</u>	<u>(1,100,790)</u>
<b>Cash flows from investing activities:</b>			
Interest received . . . . .	<u>3,510</u>	<u>7,781</u>	<u>11,291</u>
Net cash provided by investing activities . . . . .	<u>3,510</u>	<u>7,781</u>	<u>11,291</u>
Net decrease in cash and cash equivalents . . . . .	(261,097)	(4,442)	(265,539)
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<u>986,222</u>	<u>1,717,137</u>	<u>2,703,359</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u>\$ 725,125</u>	<u>\$ 1,712,695</u>	<u>\$ 2,437,820</u>

**CITY OF WATERVILLE**

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

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income . . . . .	\$ 191,820	\$ 361,687	\$ 553,507
Adjustments:			
Depreciation. . . . .	277,875	309,837	587,712
Changes in assets and liabilities:			
Change in materials and supplies inventory . . . . .	(313)	(4,168)	(4,481)
Change in accounts receivable. . . . .	(6,504)	7,030	526
Change in prepayments . . . . .	(326)	38	(288)
Change in net pension asset. . . . .	(3,498)	(3,096)	(6,594)
Change in net OPEB asset. . . . .	(20,025)	(19,285)	(39,310)
Change in deferred outflows - pension. . . . .	(2,793)	3,204	411
Change in deferred outflows - OPEB. . . . .	4,104	9,168	13,272
Change in accounts payable. . . . .	(36,408)	(30,772)	(67,180)
Change in accrued wages and benefits payable. . . . .	825	656	1,481
Change in intergovernmental payable. . . . .	(1,932)	30,326	28,394
Change in compensated absences payable. . . . .	1,475	1,829	3,304
Change in net pension liability. . . . .	(34,562)	(40,247)	(74,809)
Change in net OPEB liability. . . . .	(141,453)	(141,451)	(282,904)
Change in deferred inflows - pension. . . . .	20,676	21,139	41,815
Change in deferred inflows - OPEB. . . . .	32,991	36,113	69,104
Net cash provided by operating activities . . . . .	<u>\$ 281,952</u>	<u>\$ 542,008</u>	<u>\$ 823,960</u>

**Non-cash transactions:**

During 2021 the sewer fund received \$1,389,604 in capital contributions from developers.

During 2021 the sewer fund wrote off \$28,649 in amounts due to Lucas County.

During 2021 the water fund received \$415,277 in capital contributions from developers.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## CITY OF WATERVILLE

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

#### NOTE 1 - DESCRIPTION OF THE CITY

The City of Waterville (the “City”) is a charter municipal corporation with the charter adopted by the electors on May 3, 1966. Waterville became a village in 1831 and was incorporated as a city on April 29, 2011. The City may exercise all powers of home rule granted under Article XVIII, Section 3, of the Ohio Constitution not in conflict with applicable general laws in Ohio.

The City operates under a council-administrator form of government. Legislative power is vested in a six member council and a Mayor, each elected to a four-year term. The Council is responsible for appointing a full-time Municipal Administrator.

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

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### A. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. The City has no component units.

The City participates in a jointly governed organization, the Regional Income Tax Agency (RITA) and in an insurance pool, the Ohio Plan Risk Management.

##### *JOINTLY GOVERNED ORGANIZATION*

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



CITY OF WATERVILLE

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

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

*INSURANCE POOL*

Ohio Plan Risk Management (Plan) - The City participates in the Plan, an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk-management programs and other administrative services. The Plan's business and affairs are conducted by an eleven member board consisting of public officials selected from the membership. Financial information can be obtained from Ohio Plan Risk Management, 420 Madison Avenue, Toledo, Ohio 43204.

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

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

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

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

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

**C. Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The City does not have any fiduciary funds.

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

## CITY OF WATERVILLE

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

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

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

Fire levy fund - The fire levy special revenue fund accounts for property tax revenues restricted to operate fire and emergency medical services.

Various improvements fund - The various improvements capital projects fund accounts for income tax revenues, note proceeds, and grant monies used for construction projects or to acquire capital assets.

Other governmental funds of the City are used to account for grants and other resources whose use is restricted, committed, or assigned for a particular purpose.

**Proprietary Funds** - Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City does not have internal service funds.

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

Water fund - The water fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

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

#### **D. Measurement Focus and Basis of Accounting**

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

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

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

## CITY OF WATERVILLE

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

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

##### E. Basis of Accounting

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

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

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

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

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not yet been met because these amounts have not yet been earned.

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

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

**CITY OF WATERVILLE**

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

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

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

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

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

**F. Budgetary Process**

All funds are required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by City Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by City Council during the year.

**G. Cash and Cash Equivalents**

Cash balances of the City's funds are pooled. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the financial statements as "equity in pooled cash and cash equivalents".

During 2021, investments were limited to negotiable certificates of deposit, federal agency securities and the State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

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

**CITY OF WATERVILLE**

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

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

For 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2021 amounted to \$4,828, which included \$4,169 assigned from other funds of the City.

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

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

**H. Inventories of Materials and Supplies**

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

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

**I. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. The City reports all infrastructure, including that acquired prior to 1980. Depreciation is computed using the straight-line method over the following useful lives:

**CITY OF WATERVILLE**

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

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

Description	Estimated Lives
Land improvements	20-40 years
Buildings and improvements	35-100 years
Furniture, fixtures and equipment	5-50 years
Vehicles	5-30 years
Streets	15-40 years
Water, sewer and storm sewer lines	50 years

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least 10 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16. Sick leave benefits were accrued using the "vesting" method.

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

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability. There were no compensated absences liabilities in governmental funds at December 31, 2021.

**K. Prepayments**

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

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

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

CITY OF WATERVILLE

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

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

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

**M. Interfund Activity**

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

**N. Fund Balance**

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

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

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

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

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

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

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

**CITY OF WATERVILLE**

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

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

**O. Estimates**

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

**P. Net Position**

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

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

**Q. 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 Council and that are either unusual in nature or infrequent in occurrence. The City had neither type of transaction during 2021.

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

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

**S. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the City, these revenues are charges for services for water, sewer and storm water services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

**T. Bond Issuance Costs/Bond Premiums and Discounts/Deferred Charges on Refunding**

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

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds.



**CITY OF WATERVILLE**

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

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

On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred.

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

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

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

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

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

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

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

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

CITY OF WATERVILLE

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

B. Budgetary Prior Period Adjustment

In prior years, certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The City has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund’s budgetary basis fund balance at December 31, 2020 is as follows:

	<u>General Fund</u>
Balance at December 31, 2020	\$ 3,318,743
Funds budgetary elsewhere	<u>(60,752)</u>
Restated balance at January 1, 2021	<u>\$ 3,257,991</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

**CITY OF WATERVILLE**

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

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

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

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

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

**A. Cash on Hand**

At year end, the City had \$425 in undeposited cash on hand which is included on the financial statements of the City as part of "equity in pooled cash and cash equivalents".

**B. Deposits with Financial Institutions**

At December 31, 2021, the carrying amount of all City deposits was \$8,532,288. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2021, \$8,400,613 of the City's bank balance of \$8,650,613 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation.

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

**CITY OF WATERVILLE**

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

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

**C. Investments**

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

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
<i>Amortized cost:</i>						
STAR Ohio	\$ 6,891	\$ 6,891	\$ -	\$ -	\$ -	\$ -
<i>Fair value:</i>						
FNMA	122,319	-	-	-	-	122,319
Negotiable CDs	1,489,306	522,293	102,037	-	344,383	520,593
<b>Total</b>	<b>\$ 1,618,516</b>	<b>\$ 529,184</b>	<b>\$ 102,037</b>	<b>\$ -</b>	<b>\$ 344,383</b>	<b>\$ 642,912</b>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on 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. All of the City's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs). The City's investments in negotiable certificates of deposit and federal agency securities are valued using Level 2 inputs.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Finance Director from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the City.

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The negotiable certificates of deposit are fully covered by the FDIC and are not rated. The City has no investment policy dealing with credit risk beyond the requirements of State statute.

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

Measurement/ Investment type	Measurement Value	% of Total
<i>Amortized cost:</i>		
STAR Ohio	\$ 6,891	0.43%
<i>Fair value:</i>		
FNMA	122,319	7.56%
Negotiable CDs	1,489,306	92.01%
	<u>\$ 1,618,516</u>	<u>100.00%</u>

CITY OF WATERVILLE

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

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

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

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

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 8,532,288
Investments	1,618,516
Cash on hand	<u>425</u>
Total	<u>\$ 10,151,229</u>
 <u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 7,713,409
Business-type activities	<u>2,437,820</u>
Total	<u>\$ 10,151,229</u>

**NOTE 5 - PROPERTY TAXES**

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

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

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

The full tax rate for all City operations for the year ended December 31, 2021 was \$6.95 per \$1,000 of assessed value.

**CITY OF WATERVILLE**

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

**NOTE 5 - PROPERTY TAXES - (Continued)**

The assessed values of real and public utility property upon which 2021 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 130,063,460
Commercial/industrial/mineral	24,486,570
<u>Public utility</u>	
Real	17,230
Personal	<u>44,272,500</u>
Total assessed value	<u><u>\$ 198,839,760</u></u>

**NOTE 6 - LOCAL INCOME TAX**

The City levies and collects an income tax of 2 percent based on all income earned within the City as well on incomes of residents earned outside the City. In the latter case, the City allows a credit of 75 percent (up to 1.5 percent of the 2 percent income tax total) of the tax paid to another municipality. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax revenue was credited to the general fund (1.5 percent) and to the various improvements fund (0.5 percent) for 2021.

The Regional Income Tax Agency administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of approximately 2.9 percent.

**NOTE 7 - RECEIVABLES**

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

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

**Governmental activities:**

Income taxes	\$ 1,128,899
Property taxes	1,815,210
Accounts	105,960
Due from other governments	367,020
Special assessments	3,849
Accrued interest	5,402
Other local taxes	4,800

**Business-type activities:**

Accounts	275,425
Accrued interest	1,246

Receivables have been disaggregated on the face of the basic financial statements. The only receivable not expected to be collected within the subsequent year is the special assessments which are collected over the life of the assessment.

**CITY OF WATERVILLE**

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

**NOTE 8 - CAPITAL LEASES**

The City has entered into a capital lease for equipment. Capital lease payments are reflected as program expenditures on a budgetary perspective and as debt service expenditures on the statement of revenues, expenditures and changes in fund balances for governmental funds. Principal payments in 2021 were \$7,401.

The capital assets have been capitalized in the governmental activities. The cost of the capital assets resulting from the capital lease in the governmental activities totals \$61,602, which represents the present value of the minimum lease payments at the time of acquisition. As of December 31, 2021, accumulated depreciation was \$24,640, resulting in a net book value of \$36,962.

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

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2022	\$ 7,400
2023	<u>7,400</u>
Present value of net minimum lease payments	<u>\$ 14,800</u>

**NOTE 9 - CAPITAL ASSETS**

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

	<u>Balance</u> <u>12/31/2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/2021</u>
<b><u>Governmental activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,939,933	\$ -	\$ -	\$ 1,939,933
Construction in progress	<u>-</u>	<u>107,836</u>	<u>-</u>	<u>107,836</u>
Total capital assets, not being depreciated	<u>1,939,933</u>	<u>107,836</u>	<u>-</u>	<u>2,047,769</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,004,239	91,025	-	1,095,264
Buildings and improvements	1,293,917	36,640	-	1,330,557
Furniture, fixtures and equipment	1,250,136	218,531	-	1,468,667
Vehicles	2,375,393	1,695,866	(14,700)	4,056,559
Streets	<u>30,071,672</u>	<u>1,281,254</u>	<u>-</u>	<u>31,352,926</u>
Total capital assets, being depreciated	<u>35,995,357</u>	<u>3,323,316</u>	<u>(14,700)</u>	<u>39,303,973</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(262,429)	(48,143)	-	(310,572)
Buildings and improvements	(277,440)	(15,323)	-	(292,763)
Furniture, fixtures and equipment	(809,743)	(83,237)	-	(892,980)
Vehicles	(1,216,007)	(165,776)	14,700	(1,367,083)
Streets	<u>(21,047,274)</u>	<u>(495,934)</u>	<u>-</u>	<u>(21,543,208)</u>
Total accumulated depreciation	<u>(23,612,893)</u>	<u>(808,413)</u>	<u>14,700</u>	<u>(24,406,606)</u>
Total capital assets, being depreciated, net	<u>12,382,464</u>	<u>2,514,903</u>	<u>-</u>	<u>14,897,367</u>
Governmental activities capital assets, net	<u>\$ 14,322,397</u>	<u>\$ 2,622,739</u>	<u>\$ -</u>	<u>\$ 16,945,136</u>

**CITY OF WATERVILLE**

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

**NOTE 9 - CAPITAL ASSETS - (Continued)**

<b><u>Business-type activities:</u></b>	Balance 12/31/2020	Additions	Disposals	Balance 12/31/2021
<i>Capital assets, not being depreciated:</i>				
Land	\$ 33,643	\$ -	\$ -	\$ 33,643
Construction in progress	-	481,885	-	481,885
Total capital assets, not being depreciated	33,643	481,885	-	515,528
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	148,393	-	-	148,393
Furniture, fixtures and equipment	2,015,217	-	-	2,015,217
Vehicles	237,244	-	-	237,244
Water, sewer and storm sewer lines	23,509,831	1,854,984	-	25,364,815
Total capital assets, being depreciated	25,910,685	1,854,984	-	27,765,669
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(78,496)	(2,403)	-	(80,899)
Furniture, fixtures and equipment	(1,579,982)	(73,465)	-	(1,653,447)
Vehicles	(195,714)	(4,536)	-	(200,250)
Water, sewer and storm sewer lines	(10,336,437)	(507,308)	-	(10,843,745)
Total accumulated depreciation	(12,190,629)	(587,712)	-	(12,778,341)
Total capital assets, being depreciated, net	13,720,056	1,267,272	-	14,987,328
Business-type activities capital assets, net	\$ 13,753,699	\$ 1,749,157	\$ -	\$ 15,502,856

Depreciation expense was charged to functions/programs of the governmental activities and the funds of the business-type activities, of the City as follows:

<b><u>Governmental activities:</u></b>	
General government	\$ 23,608
Security of persons and property - police	27,618
Security of persons and property - fire	165,798
Transportation	534,627
Leisure time activities	56,762
Total depreciation expense - governmental activities	\$ 808,413
 <b><u>Business-type activities:</u></b>	
Water	\$ 309,837
Sewer	277,875
Total depreciation expense - business-type activities	\$ 587,712



**CITY OF WATERVILLE**

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

**NOTE 10 - NOTES PAYABLE**

The City's note transactions for the year ended December 31, 2021, were as follows:

	<u>Interest Rate</u>	<u>Balance 12/31/20</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/21</u>
<u>Governmental activities:</u>					
Bond anticipation notes - direct placements					
2020 various purpose	1.00%	\$ 50,000	\$ -	\$ (50,000)	\$ -
2021 various purpose	2.00%	-	1,650,000	(1,650,000)	-
Total governmental activities		<u>50,000</u>	<u>1,650,000</u>	<u>(1,700,000)</u>	<u>-</u>
<u>Business-type activities:</u>					
Bond anticipation notes - direct placements					
2020 water improvements	1.00%	1,531,000	-	(1,531,000)	-
2021 water improvements	2.00%	-	1,455,000	(1,455,000)	-
2020 wastewater improvements	1.00%	80,000	-	(80,000)	-
2021 wastewater improvements	2.00%	-	70,000	(70,000)	-
Total business-type activities		<u>1,611,000</u>	<u>1,525,000</u>	<u>(3,136,000)</u>	<u>-</u>
Total bond anticipation notes		<u>\$ 1,661,000</u>	<u>\$ 3,175,000</u>	<u>\$ (4,836,000)</u>	<u>\$ -</u>

According to Ohio law, notes can be issued in anticipation of bond proceeds and levies or for up to 50 percent of anticipated revenue collections. The liability for all notes is presented in the fund receiving the proceeds. All of the City's bond anticipation notes are backed by the full faith and credit of the City of Waterville.

The bond anticipation notes issued through direct placement, in the amount of \$50,000, were issued on July 21, 2020, to partially retire notes previously issued in 2019 for various purposes. The notes had an interest rate of 1 percent and matured on July 21, 2021. The notes were paid from the various improvements capital projects fund.

The bond anticipation notes issued through direct placement, in the amount of \$1,650,000, were issued on July 19, 2021, were issued to finance the purchases of a new fire ladder truck and a new fire truck. The notes had an interest rate of 2 percent and matured on December 1, 2021. The notes were paid from the various improvements capital projects fund. The notes were retired using the issuance proceeds of the 2021 general obligation bonds discussed in Note 11.

The bond anticipation notes in the water enterprise fund issued through a direct placement, in the amount of \$1,531,000, were issued on July 21, 2020, to retire notes previously issued to improve water lines as well as proceeds for water meter system improvements. The notes had an interest rate of 1 percent and matured on July 21, 2021.

The bond anticipation notes issued through direct placement, in the amount of \$1,455,000, were issued on July 19, 2021, were issued to partially retire notes previously issued in 2020. The notes had an interest rate of 2 percent and matured on December 1, 2021. The notes were paid from the water fund. The notes were retired using the issuance proceeds of the 2021 general obligation bonds discussed in Note 11.

The bond anticipation notes in the sewer enterprise fund issued through a direct placement, in the amount of \$80,000, were issued on July 21, 2020, to retire notes previously issued for sewer meter system improvements. The notes had an interest rate of 1 percent and matured on July 21, 2021.

The bond anticipation notes issued through direct placement, in the amount of \$70,000, were issued on July 19, 2021, were issued to partially retire notes previously issued in 2020. The notes had an interest rate of 2 percent and matured on December 1, 2021. The notes were paid from the sewer fund. The notes were retired using the issuance proceeds of the 2021 general obligation bonds discussed in Note 11.

**CITY OF WATERVILLE**

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

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During 2021, the following changes occurred in governmental activities long-term obligations.

<b>Governmental activities:</b>	<u>Balance</u> <u>12/31/20</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/21</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>General obligation bonds:</u>					
2012 various purpose refunding	\$ 1,365,000	\$ -	\$ (1,365,000)	\$ -	\$ -
2021 various purpose refunding	-	1,265,000	-	1,265,000	175,000
2021 ladder fire truck	-	1,430,000	-	1,430,000	135,000
2021 fire truck	-	260,000	-	260,000	25,000
Total general obligation debt	<u>1,365,000</u>	<u>2,955,000</u>	<u>(1,365,000)</u>	<u>2,955,000</u>	<u>335,000</u>
<u>OPWC loans - direct borrowing:</u>					
2008 OPWC loan	<u>98,497</u>	<u>-</u>	<u>(18,468)</u>	<u>80,029</u>	<u>12,312</u>
<u>Other long-term obligations:</u>					
Capital leases payable	22,201	-	(7,401)	14,800	7,400
Net pension liability	2,791,046	-	(254,785)	2,536,261	-
Net OPEB liability	851,144	2,106	(549,166)	304,084	-
Compensated absences	<u>152,917</u>	<u>122,104</u>	<u>(100,281)</u>	<u>174,740</u>	<u>108,461</u>
Total other obligations	<u>3,817,308</u>	<u>124,210</u>	<u>(911,633)</u>	<u>3,029,885</u>	<u>115,861</u>
Total governmental activities					
long-term obligations	<u>\$ 5,280,805</u>	<u>\$ 3,079,210</u>	<u>\$ (2,295,101)</u>	6,064,914	<u>\$ 463,173</u>
Add: unamortized bond premium				<u>42,672</u>	
Total on statement of net position				<u>\$ 6,107,586</u>	

2012 various purpose refunding bonds: On August 2, 2012, the City issued unvoted general obligation bonds, in the amount of \$2,545,000; \$1,040,000 to retire bond anticipation notes previously issued and \$1,505,000 to advance refund 2002 various purpose bonds. The refunding bond issue includes serial and term bonds. The bonds were issued for a twenty-three year period, with final maturity in 2035. The bonds are being retired through the various improvements capital projects fund.

On August 17, 2021, the City issued \$1,265,000 (2021 various improvement refunding bonds) to currently refund the 2012 various purpose refunding bonds.

2021 various purpose refunding bonds - On August 17, 2021, the City issued general obligation bonds (2021 various purpose refunding bonds) to currently refund the 2012 various purpose refunding bonds. The issuance proceeds of \$1,283,872 were used to pay for the cost of the issuance and to retire the outstanding 2012 various purpose refunding bonds.

The 2021 refunding issue is comprised of current interest bonds, par value \$1,265,000. The interest rate on the current interest bonds ranges from 1.00-2.00% and mature on December 1, 2035. The bonds will be retired through the various improvements capital projects fund.

The reacquisition price exceeded the net carrying amount of the old debt by \$19,756. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. This refunding was undertaken to reduce total debt service payments by \$110,718 and resulted in an economic gain of \$102,913.

**CITY OF WATERVILLE**

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

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

2021 ladder fire truck bonds - On August 17, 2021, the City issued general obligation bonds, par value \$1,430,000 (2021 ladder fire truck bonds). These bonds are general obligations of the City, for which its full faith and credit is pledged for repayment. The bonds were issued to provide resources to retire a portion of the 2021 various purpose note described in Note 10. The bonds have an annual interest rate ranging from 1.00% to 1.10% and are scheduled to mature on December 1, 2031. Principal and interest payments on the general obligation bonds will be made from the various improvements capital projects fund.

2021 fire truck bonds - On August 17, 2021, the City issued general obligation bonds, par value \$260,000 (2021 fire truck bonds). These bonds are general obligations of the City, for which its full faith and credit is pledged for repayment. The bonds were issued to provide resources to retire a portion of the 2021 various purpose note described in Note 10. The bonds have an annual interest rate ranging from 1.00% to 1.10% and are scheduled to mature on December 1, 2031. Principal and interest payments on the general obligation bonds will be made from the various improvements capital projects fund. At December 31, 2021, \$260,000 of this bond remains unspent.

OPWC loan: The City has entered into a loan agreement from direct borrowing with the Ohio Public Works Commission (OPWC) for a street project. The original amount borrowed was \$246,242. The loan has a final maturity date of July 1, 2028. The loan is interest free. The loan will be paid from resources of the various improvements capital projects fund.

In the event of default on the loan, (1) OPWC may apply late fees of 8 percent per year, (2) loans more than sixty days late will be turned over to the Attorney General’s office for collection and, as provided by law, OPWC may require that the payment be taken from the City’s share of the county undivided local government fund, and (3) the outstanding amount shall, at OPWC’s option, become immediately due and payable.

Capital lease payable: Capital lease obligations will be paid form the fund that maintains custody of the related asset.

Compensated absences: Compensated absences reported in the statement of net position and will be paid from the fund from which the employee’s salaries are paid, which is the general fund and street maintenance special revenue fund.

Net pension liability and net OPEB liability: There is no repayment schedule for the net pension/OPEB liability; however, employer pension contributions are made from the general fund and street maintenance special revenue fund. For additional information, see Notes 14 and 15 for a discussion of the City’s net pension liability and net OPEB liability.

- B.** The annual requirements amortize governmental activities long-term obligations outstanding as of December 31, 2021, are as follows:

Year Ending	General Obligation Bonds			Direct Borrowing
	Principal	Interest	Total	OPWC Loan Principal
December 31,				
2022	\$ 335,000	\$ 37,578	\$ 372,578	\$ 12,312
2023	345,000	26,780	371,780	12,312
2024	350,000	23,330	373,330	12,312
2025	345,000	19,830	364,830	12,313
2026	350,000	16,380	366,380	12,312
2027 - 2031	1,160,000	41,550	1,201,550	18,468
2032 - 2035	70,000	2,060	72,060	-
Total	<u>\$ 2,955,000</u>	<u>\$ 167,508</u>	<u>\$ 3,122,508</u>	<u>\$ 80,029</u>

**CITY OF WATERVILLE**

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

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

C. During 2021, the following changes occurred in business-type activities long-term obligations.

<b>Business-type activities:</b>	<u>Balance</u> 12/31/20	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 12/31/21	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<b>General obligation bonds:</b>					
2020 various purpose refunding	\$ 2,875,000	\$ -	\$ (150,000)	\$ 2,725,000	\$ 150,000
2021 various purpose	<u>-</u>	<u>1,565,000</u>	<u>-</u>	<u>1,565,000</u>	<u>65,000</u>
Total general obligation bonds	<u>2,875,000</u>	<u>1,565,000</u>	<u>(150,000)</u>	<u>4,290,000</u>	<u>215,000</u>
<b>OPWC loans - direct borrowing:</b>					
2004 OPWC loan - sewer	12,957	-	(4,319)	8,638	2,879
2006 OPWC loan - sewer	48,179	-	(10,010)	38,169	6,745
2009 OPWC loan - water	57,292	-	(9,548)	47,744	6,366
2010 OPWC loan - sewer	80,087	-	(11,439)	68,648	7,628
2011 OPWC loan - water	75,276	-	(9,410)	65,866	6,273
2015 OPWC loan - water	121,634	-	(10,732)	110,902	7,155
2018 OPWC loan - water	<u>51,684</u>	<u>-</u>	<u>(3,975)</u>	<u>47,709</u>	<u>2,651</u>
Total OPWC loans	<u>447,109</u>	<u>-</u>	<u>(59,433)</u>	<u>387,676</u>	<u>39,697</u>
<b>OWDA loan - direct borrowing:</b>					
2010 OWDA loan - sewer	<u>26,546</u>	<u>-</u>	<u>(2,340)</u>	<u>24,206</u>	<u>2,405</u>
<b>Other long-term obligations:</b>					
Due to Lucas County	2,625,123	-	(199,383)	2,425,740	182,719
Net pension liability	376,879	-	(74,809)	302,070	-
Net OPEB liability	282,904	-	(282,904)	-	-
Compensated absences	<u>46,254</u>	<u>33,990</u>	<u>(30,686)</u>	<u>49,558</u>	<u>30,800</u>
Total other obligations	<u>3,331,160</u>	<u>33,990</u>	<u>(587,782)</u>	<u>2,777,368</u>	<u>213,519</u>
Total business-type activities long-term obligations	<u>\$ 6,679,815</u>	<u>\$ 1,598,990</u>	<u>\$ (799,555)</u>	<u>7,479,250</u>	<u>\$ 470,621</u>
Add: unamortized premium				<u>13,140</u>	
Total on statement of net position				<u>\$ 7,492,390</u>	

2020 various purpose refunding bonds: On July 30, 2020, the City issued unvoted general obligation bonds, in the amount of \$3,005,000, to currently refund bonds previously issued in 2015 to construct a waterline to connect to the City of Bowling Green. The refunding bond issue includes serial and term bonds. The bonds bear interest rates ranging from 1.25% to 1.85%. The bonds were issued for a twenty-six year period, with final maturity in 2041. The bonds are being retired through the water and sewer enterprise funds.

2021 various purpose bonds - On August 17, 2021, the City issued general obligation bonds, par value \$1,565,000 (2021 various purpose bonds). These bonds are general obligations of the City, for which its full faith and credit is pledged for repayment. The bonds were issued to provide resources to retire the 2021 water improvement note and 2021 sewer improvement note described in Note 10. The bonds have an annual interest rate ranging from 1.00% to 2.00% and are scheduled to mature on December 1, 2041. Principal and interest payments on the general obligation bonds will be made from the water and sewer enterprise funds.

**CITY OF WATERVILLE**

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

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

OPWC loans: The City has entered into loan agreements from direct borrowing with the Ohio Public Works Commission (OPWC) for water and sewer related projects. The loans are interest free, except for the Dutch Road lift station loan (2006 OPWC loan), which has an interest rate of 1.00%. All of the City's outstanding OPWC loans are for a twenty-year period. The loans will be paid from resources of the water and sewer enterprise funds.

In the event of default on the loans, (1) OPWC may apply late fees of 8 percent per year, (2) loans more than sixty days late will be turned over to the Attorney General's office for collection and, as provided by law, OPWC may require that the payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amount shall, at OPWC's option, become immediately due and payable.

OWDA loan: The City has entered into a loan agreement from direct borrowing with the Ohio Water Development Authority (OWDA) for construction of a water line and a sanitary sewer project. The loan bears an interest rate of 2.75% and matures on July 1, 2030. The loan will be paid from resources of the sewer enterprise funds.

In the event of default on the loans, (1) the amount of the default shall bear interest at a default rate from the due date until the date of payment, (2) if any of the charges have not been paid within thirty days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to OWDA, and (3) for each additional thirty days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

The OPWC and OWDA loans for water and sewer projects are to be paid from the gross revenues of the water and sewer enterprise funds after provisions for reasonable operating and maintenance expenses. Annual principal and interest payments on the loans are expected to require less than 100 percent of these net revenues in future years. The total principal and interest remaining to be paid on the OPWC and OWDA loans are \$389,037 and \$27,490, respectively. Principal and interest paid for the current year and net revenues were \$33,665 and \$671,524 for the water enterprise fund and \$29,287 and \$469,695 for the sewer enterprise fund.

Due to Lucas County: In 1973, the City entered into an agreement with the Lucas County Commissioners to provide for the use of the Maumee River Wastewater Treatment Plant with the City paying a portion of the construction cost to Lucas County over a 40 year period. In 1996, the plant was expanded and the City agreed to pay a portion of the expansion costs based on the City's quarterly consumption rate. In 2007, the plant again expanded. The City agreed to pay 13.33 percent of these improvement costs to Lucas County over a twenty year period. In 2010, the plant was once again expanded and the City agreed to pay a portion of the expansion costs based on the City's quarterly consumption rate.

In 2011, the City entered into an agreement with Lucas County to pay for their portion of the North River Road water line.

Compensated absences: Compensated absences reported in the statement of net position and will be paid from the fund from which the employee's salaries are paid, which is the water and sewer enterprise funds.

Net pension liability and net OPEB liability: There is no repayment schedule for the net pension/OPEB liability; however, employer pension contributions are made from the water and sewer enterprise funds. For additional information, see Notes 14 and 15 for a discussion of the City's net pension liability and net OPEB liability.

**CITY OF WATERVILLE**

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

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

D. The annual requirements amortize business-type activities long-term obligations outstanding as of December 31, 2021, are as follows:

Year Ending December 31,	Direct Borrowing OWDA Loans			Direct Borrowing OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 2,405	\$ 649	\$ 3,054	\$ 39,697	\$ 398	\$ 40,095
2023	2,472	583	3,055	39,763	331	40,094
2024	2,540	514	3,054	39,834	262	40,096
2025	2,611	444	3,055	37,022	193	37,215
2026	2,683	372	3,055	37,093	124	37,217
2027 - 2031	11,495	722	12,217	130,575	53	130,628
2032 - 2036	-	-	-	52,164	-	52,164
2037 - 2040	-	-	-	11,528	-	11,528
Total	<u>\$ 24,206</u>	<u>\$ 3,284</u>	<u>\$ 27,490</u>	<u>\$ 387,676</u>	<u>\$ 1,361</u>	<u>\$ 389,037</u>

Year Ending December 31,	General Obligation Bonds			Due to Lucas County
	Principal	Interest	Total	Principal
2022	\$ 215,000	\$ 66,275	\$ 281,275	\$ 182,719
2023	220,000	58,152	278,152	188,161
2024	220,000	55,578	275,578	193,791
2025	220,000	53,002	273,002	199,620
2026	225,000	50,428	275,428	205,651
2027 - 2031	1,190,000	211,436	1,401,436	796,701
2032 - 2036	1,000,000	140,516	1,140,516	458,281
2037 - 2041	1,000,000	57,602	1,057,602	200,816
Total	<u>\$ 4,290,000</u>	<u>\$ 692,989</u>	<u>\$ 4,982,989</u>	<u>\$ 2,425,740</u>

**E. Legal Debt Margin**

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2021, the City's total debt margin was \$17,923,175 and the unvoted debt margin was \$10,936,187.

**CITY OF WATERVILLE**

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

**NOTE 12 - COMPENSATED ABSENCES**

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

City employees earn vacation at varying rates depending on length of service. Current policy credits vacation leave each biweekly pay period. Employees are paid for 100 percent of accumulated unused vacation leave upon termination.

Upon retirement, full-time employees within the sergeant police unit with ten or more years of service, who were hired before August 8, 1983, are entitled to receive all of their accrued but unused sick leave up to a maximum of nine hundred sixty hours. All other full-time employees with ten or more years of service are entitled to receive one-fourth of the value of their unused sick leave up to a maximum of two hundred forty hours.

**NOTE 13 - 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. During 2021, the City contracted with the Ohio Plan Risk Management, an insurance purchasing pool, for the following coverage:

Type of Coverage	Coverage	Deductible
Blanket building and personal property	\$ 11,654,058	\$ 1,000
Special property	1,391,918	1,000
General liability		
Occurrence	5,000,000	-
Aggregate	7,000,000	-
Employer's liability		
Occurrence	5,000,000	-
Aggregate	5,000,000	-
Employee benefits		
Occurrence	5,000,000	-
Aggregate	7,000,000	-
Public officials liability		
Occurrence	5,000,000	2,500
Aggregate	7,000,000	2,500
Law enforcement liability		
Occurrence	5,000,000	2,500
Aggregate	7,000,000	2,500
Auto liability	5,000,000	500

There has been no significant reduction in insurance coverage from 2020 and no insurance settlement has exceeded insurance coverage during the last three years.

Workers' compensation is provided by the State of Ohio. The City pays the State Workers' Compensation System a premium based on a rate of \$100 of salaries. The rate is calculated based on accident history and administrative costs.

CITY OF WATERVILLE

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

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

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

***Net Pension Liability/Asset and Net OPEB Liability***

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

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

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

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

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

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

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

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

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



**CITY OF WATERVILLE**

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

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

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

**CITY OF WATERVILLE**

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

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

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

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

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

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$136,519 for 2021. Of this amount, \$2,214 is reported as due to other governments.

## CITY OF WATERVILLE

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

#### NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

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

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

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

**CITY OF WATERVILLE**

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

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$239,714 for 2021. Of this amount, \$6,459 is reported as due to other governments.

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

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

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

	<u>OPERS - Traditional</u>	<u>OPERS - Combined</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the net pension liability/asset prior measurement date	0.00560800%	0.02087100%	0.03057160%	
Proportion of the net pension liability/asset current measurement date	<u>0.00595500%</u>	<u>0.02163100%</u>	<u>0.02870030%</u>	
Change in proportionate share	<u>0.00034700%</u>	<u>0.00076000%</u>	<u>-0.00187130%</u>	
Proportionate share of the net pension liability	\$ 881,806	\$ -	\$ 1,956,525	\$ 2,838,331
Proportionate share of the net pension asset	-	62,441	-	62,441
Pension expense	10,102	1,472	73,529	85,103

**CITY OF WATERVILLE**

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

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

	OPERS - Traditional	OPERS - Combined	OP&F	Total
<b>Deferred outflows of resources</b>				
Differences between expected and actual experience	\$ -	\$ -	\$ 81,788	\$ 81,788
Changes of assumptions	-	3,897	32,813	36,710
Changes in employer's proportionate percentage/ difference between employer contributions	47,391	-	21,327	68,718
Contributions subsequent to the measurement date	122,627	13,892	239,714	376,233
Total deferred outflows of resources	<u>\$ 170,018</u>	<u>\$ 17,789</u>	<u>\$ 375,642</u>	<u>\$ 563,449</u>
<b>Deferred inflows of resources</b>				
Differences between expected and actual experience	\$ 36,886	\$ 11,787	\$ 76,220	\$ 124,893
Net difference between projected and actual earnings on pension plan investments	343,706	9,288	94,908	447,902
Changes in employer's proportionate percentage/ difference between employer contributions	12,044	-	380,110	392,154
Total deferred inflows of resources	<u>\$ 392,636</u>	<u>\$ 21,075</u>	<u>\$ 551,238</u>	<u>\$ 964,949</u>

\$376,233 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2022.

**CITY OF WATERVILLE**

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

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Year Ending December 31:	OPERS - Traditional	OPERS - Combined	OP&F	Total
2022	\$ (125,527)	\$ (4,468)	\$ (97,783)	\$ (227,778)
2023	(32,738)	(2,840)	(73,188)	(108,766)
2024	(140,104)	(4,982)	(179,850)	(324,936)
2025	(46,876)	(2,315)	(57,015)	(106,206)
2026	-	(995)	(7,474)	(8,469)
Thereafter	-	(1,578)	-	(1,578)
<b>Total</b>	<b>\$ (345,245)</b>	<b>\$ (17,178)</b>	<b>\$ (415,310)</b>	<b>\$ (777,733)</b>

**Actuarial Assumptions - OPERS**

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

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

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

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

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

**CITY OF WATERVILLE**

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

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

During 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 11.70% for 2020.

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

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

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

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

**CITY OF WATERVILLE**

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

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 1,682,049	\$ 881,806	\$ 216,405
Combined Plan	(43,478)	(62,441)	(76,574)

***Actuarial Assumptions - OP&F***

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

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

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

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

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



**CITY OF WATERVILLE**

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

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

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

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

Note: assumptions are geometric.

\* levered 2x

\*\* numbers include inflation

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

**CITY OF WATERVILLE**

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

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 2,723,734	\$ 1,956,525	\$ 1,314,449

**NOTE 15 - DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability/Asset**

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

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

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

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

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

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

**CITY OF WATERVILLE**

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

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

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

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,672 for 2021. Of this amount, \$26 is reported as due to other governments.

CITY OF WATERVILLE

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

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

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

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

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

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

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

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

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

The City's contractually required contribution to OP&F was \$5,913 for 2021. Of this amount, \$159 is reported as due to other governments.

**CITY OF WATERVILLE**

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

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

The net OPEB liability/asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2020, and was determined by rolling forward the total OPEB liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities.

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

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.00602400%	0.03057160%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.00644100%</u>	<u>0.02870030%</u>	
Change in proportionate share	<u>0.00041700%</u>	<u>-0.00187130%</u>	
Proportionate share of the net OPEB liability	\$ -	\$ 304,084	\$ 304,084
Proportionate share of the net OPEB asset	114,753	-	114,753
OPEB expense	(695,632)	-	(695,632)

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

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Changes of assumptions	\$ 56,416	\$ 167,989	\$ 224,405
Changes in employer's proportionate percentage/difference between employer contributions	35,181	-	35,181
Contributions subsequent to the measurement date	1,671	5,913	7,584
Total deferred outflows of resources	<u>\$ 93,268</u>	<u>\$ 173,902</u>	<u>\$ 267,170</u>

**CITY OF WATERVILLE**

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

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	OPERS	OP&F	Total
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 103,563	\$ 50,158	\$ 153,721
Net difference between projected and actual earnings on OPEB plan investments	61,117	11,301	72,418
Changes of assumptions	185,932	48,477	234,409
Changes in employer's proportionate percentage/ difference between employer contributions	502	99,556	100,058
Total deferred inflows of resources	<u>\$ 351,114</u>	<u>\$ 209,492</u>	<u>\$ 560,606</u>

\$7,584 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2022.

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

	OPERS	OP&F	Total
Year Ending December 31:			
2022	\$ (132,581)	\$ (9,968)	\$ (142,549)
2023	(93,179)	(7,293)	(100,472)
2024	(26,559)	(11,511)	(38,070)
2025	(7,198)	(9,152)	(16,350)
2026	-	(2,401)	(2,401)
Thereafter	-	(1,178)	(1,178)
Total	<u>\$ (259,517)</u>	<u>\$ (41,503)</u>	<u>\$ (301,020)</u>

**Actuarial Assumptions - OPERS**

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

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

**CITY OF WATERVILLE**

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

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

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

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

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

**CITY OF WATERVILLE**

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

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

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

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



**CITY OF WATERVILLE**

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

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB asset	\$ 28,534	\$ 114,752	\$ 185,630

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB asset	\$ 117,548	\$ 114,752	\$ 111,623

***Actuarial Assumptions - OP&F***

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

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

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

**CITY OF WATERVILLE**

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

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

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

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

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

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

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

**CITY OF WATERVILLE**

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

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

Note: assumptions are geometric.

\* levered 2.5x

\*\* numbers include inflation

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

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

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

**CITY OF WATERVILLE**

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

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 379,176	\$ 304,084	\$ 242,143

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

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

	General Fund	Fire Levy
Budget basis	\$ 919,510	\$ 216,755
Net adjustment for revenue accruals	43,531	-
Net adjustment for expenditure accruals	23,099	(15,190)
Funds budgeted elsewhere	(8,496)	-
Adjustment for encumbrances	34,475	-
GAAP basis	\$ 1,012,119	\$ 201,565

**CITY OF WATERVILLE**

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

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The employee retirement benefits fund is legally budgeted in a separate special revenue fund; however, the fund is considered part of the general fund on a GAAP basis.

**NOTE 17 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The City is currently not involved in pending litigation at year end.

**NOTE 18 - COVID-19**

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

**NOTE 19 - CONTRACTUAL COMMITMENTS**

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

<u>Vendor</u>	<u>Amount Remaining on Contract</u>
Atlantic Emergency Solutions	\$ 355,738
Montrose Group, LLC	30,000
Compass Minerals America, Inc.	29,580
Lucas County Engineer	23,393
U.S. Utility Contractor Co. Inc.	149,757
Fet Construction Services, LLC	45,174
Neptune Equipment	148,000

**CITY OF WATERVILLE**

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

**NOTE 20 - OTHER COMMITMENTS**

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

<u>Fund</u>	Year-End <u>Encumbrances</u>
General fund	\$ 17,152
Various improvements	642,139
Other governmental	<u>88,983</u>
Total	<u>\$ 748,274</u>

**NOTE 21 - FUND BALANCE**

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

<u>Fund balance</u>	<u>General</u>	<u>Fire Levy</u>	<u>Various Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Materials and supplies inventory	\$ 23,721	\$ -	\$ -	\$ 29,509	\$ 53,230
Prepays	<u>24,281</u>	<u>791</u>	<u>340,302</u>	<u>5,917</u>	<u>371,291</u>
Total nonspendable	<u>48,002</u>	<u>791</u>	<u>340,302</u>	<u>35,426</u>	<u>424,521</u>
Restricted:					
Capital improvements	-	-	1,866,374	-	1,866,374
Street construction and maintenance	-	-	-	519,035	519,035
Police and fire purposes	<u>-</u>	<u>200,774</u>	<u>-</u>	<u>48,256</u>	<u>249,030</u>
Total restricted	<u>-</u>	<u>200,774</u>	<u>1,866,374</u>	<u>567,291</u>	<u>2,634,439</u>
Committed:					
Parks/green space improvement	-	-	-	165,452	165,452
Future severance payments	<u>52,256</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,256</u>
Total committed	<u>52,256</u>	<u>-</u>	<u>-</u>	<u>165,452</u>	<u>217,708</u>
Assigned:					
Unpaid obligations	<u>17,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,152</u>
Total assigned	<u>17,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,152</u>
Unassigned	<u>4,432,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,432,231</u>
Total fund balances	<u>\$ 4,549,641</u>	<u>\$ 201,565</u>	<u>\$ 2,206,676</u>	<u>\$ 768,169</u>	<u>\$ 7,726,051</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF WATERVILLE**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.005955%	0.005608%	0.005990%	0.005992%
City's proportionate share of the net pension liability	\$ 881,806	\$ 1,108,459	\$ 1,640,540	\$ 940,028
City's covered payroll	\$ 806,221	\$ 806,221	\$ 809,064	\$ 791,808
City's proportionate share of the net pension liability as a percentage of its covered payroll	109.38%	137.49%	202.77%	118.72%
Plan fiduciary net position as a percentage of the total pension liability	86.88%	82.17%	74.70%	84.66%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.021631%	0.020871%	0.022325%	0.022601%
City's proportionate share of the net pension asset	\$ 62,441	\$ 43,520	\$ 24,964	\$ 30,766
City's covered payroll	\$ 92,907	\$ 92,907	\$ 95,486	\$ 92,562
City's proportionate share of the net pension asset as a percentage of its covered payroll	67.21%	46.84%	26.14%	33.24%
Plan fiduciary net position as a percentage of the total pension asset	157.67%	145.28%	126.64%	137.28%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	0.006279%	0.006155%	0.006122%	0.006122%
\$	1,425,856	\$ 1,066,124	\$ 738,382	\$ 721,704
\$	811,758	\$ 766,114	\$ 750,617	\$ 887,666
	175.65%	139.16%	98.37%	81.30%
	77.25%	81.08%	86.45%	86.36%
	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a

**CITY OF WATERVILLE**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net pension liability	0.02870030%	0.03057160%	0.03615700%	0.03752700%
City's proportionate share of the net pension liability	\$ 1,956,525	\$ 2,059,466	\$ 2,951,365	\$ 2,303,202
City's covered payroll	\$ 823,373	\$ 786,622	\$ 925,662	\$ 877,699
City's proportionate share of the net pension liability as a percentage of its covered payroll	237.62%	261.81%	318.84%	262.41%
Plan fiduciary net position as a percentage of the total pension liability	70.65%	69.89%	63.07%	70.91%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.03828700%	0.03637100%	0.03462640%	0.03615700%
\$ 2,425,060	\$ 2,339,771	\$ 1,793,792	\$ 1,686,414
\$ 780,794	\$ 798,325	\$ 749,103	\$ 758,514
310.59%	293.09%	239.46%	222.33%
68.36%	66.77%	71.71%	73.00%

**CITY OF WATERVILLE**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 122,627	\$ 117,423	\$ 112,871	\$ 113,269
Contributions in relation to the contractually required contribution	<u>(122,627)</u>	<u>(117,423)</u>	<u>(112,871)</u>	<u>(113,269)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 875,907	\$ 838,736	\$ 806,221	\$ 809,064
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 13,892	\$ 13,346	\$ 13,007	\$ 13,368
Contributions in relation to the contractually required contribution	<u>(13,892)</u>	<u>(13,346)</u>	<u>(13,007)</u>	<u>(13,368)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 99,229	\$ 95,329	\$ 92,907	\$ 95,486
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

Note: Information prior to 2013 for the City's traditional plan and combined plan was unavailable.  
Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 102,935	\$ 97,411	\$ 91,934	\$ 90,074	\$ 115,397
<u>(102,935)</u>	<u>(97,411)</u>	<u>(91,934)</u>	<u>(90,074)</u>	<u>(115,397)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 791,808	\$ 811,758	\$ 766,114	\$ 750,617	\$ 887,669
13.00%	12.00%	12.00%	12.00%	13.00%
\$ 12,033	\$ 10,580	\$ 10,035	\$ 9,540	\$ 9,738
<u>(12,033)</u>	<u>(10,580)</u>	<u>(10,035)</u>	<u>(9,540)</u>	<u>(9,738)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 92,562	\$ 88,167	\$ 83,625	\$ 79,500	\$ 74,908
13.00%	12.00%	12.00%	12.00%	13.00%

**CITY OF WATERVILLE**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<i>Police:</i>				
Contractually required contribution	\$ 161,105	\$ 140,792	\$ 135,475	\$ 148,286
Contributions in relation to the contractually required contribution	(161,105)	(140,792)	(135,475)	(148,286)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 847,921	\$ 741,011	\$ 713,026	\$ 780,453
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
 <i>Fire:</i>				
Contractually required contribution	\$ 78,609	\$ 19,355	\$ 17,295	\$ 34,124
Contributions in relation to the contractually required contribution	(78,609)	(19,355)	(17,295)	(34,124)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 334,506	\$ 82,362	\$ 73,596	\$ 145,209
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 141,467	\$ 126,357	\$ 133,407	\$ 131,439	\$ 108,614	\$ 82,377
<u>(141,467)</u>	<u>(126,357)</u>	<u>(133,407)</u>	<u>(131,439)</u>	<u>(108,614)</u>	<u>(82,377)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 744,563	\$ 665,037	\$ 702,142	\$ 691,784	\$ 683,824	\$ 646,094
19.00%	19.00%	19.00%	19.00%	15.88%	12.75%
\$ 31,287	\$ 27,203	\$ 22,603	\$ 13,470	\$ 15,225	\$ 10,514
<u>(31,287)</u>	<u>(27,203)</u>	<u>(22,603)</u>	<u>(13,470)</u>	<u>(15,225)</u>	<u>(10,514)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 133,136	\$ 115,757	\$ 96,183	\$ 57,319	\$ 74,693	\$ 60,951
23.50%	23.50%	23.50%	23.50%	20.38%	17.25%

**CITY OF WATERVILLE**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net OPEB liability/asset	0.006441%	0.006024%	0.006310%	0.006330%
City's proportionate share of the net OPEB liability/(asset)	\$ (114,753)	\$ 832,070	\$ 822,676	\$ 687,391
City's covered payroll	\$ 974,090	\$ 910,053	\$ 915,250	\$ 896,045
City's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	11.78%	91.43%	89.89%	76.71%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	115.57%	47.80%	46.33%	54.14%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



**2017**

---

0.006600%

\$ 666,622

\$ 912,650

73.04%

54.04%

**CITY OF WATERVILLE**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net OPEB liability	0.02870030%	0.03057160%	0.03615700%	0.03752700%
City's proportionate share of the net OPEB liability	\$ 304,084	\$ 301,978	\$ 329,266	\$ 2,126,227
City's covered payroll	\$ 823,373	\$ 786,622	\$ 925,662	\$ 877,699
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	36.93%	38.39%	35.57%	242.25%
Plan fiduciary net position as a percentage of the total OPEB liability	45.42%	47.08%	46.57%	14.13%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**2017**

---

0.03828700%

\$ 1,817,398

\$ 780,794

232.76%

15.96%

**CITY OF WATERVILLE**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 1,671	\$ 1,601	\$ 437	\$ 428
Contributions in relation to the contractually required contribution	<u>(1,671)</u>	<u>(1,601)</u>	<u>(437)</u>	<u>(428)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 975,136	\$ 934,065	\$ 899,128	\$ 904,550
Contributions as a percentage of covered payroll	0.17%	0.17%	0.05%	0.05%

Note: Information prior to 2016 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>
\$ 9,311	\$ 18,508
<u>(9,311)</u>	<u>(18,508)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 884,370	\$ 899,925
1.05%	2.06%

**CITY OF WATERVILLE**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Police:</i>				
Contractually required contribution	\$ 4,240	\$ 3,705	\$ 3,565	\$ 3,902
Contributions in relation to the contractually required contribution	<u>(4,240)</u>	<u>(3,705)</u>	<u>(3,565)</u>	<u>(3,902)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 847,921	\$ 741,011	\$ 713,026	\$ 780,453
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%
 <i>Fire:</i>				
Contractually required contribution	\$ 1,673	\$ 412	\$ 368	\$ 726
Contributions in relation to the contractually required contribution	<u>(1,673)</u>	<u>(412)</u>	<u>(368)</u>	<u>(726)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 334,506	\$ 82,362	\$ 73,596	\$ 145,209
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 3,723	\$ 3,325	\$ 3,511	\$ 3,459	\$ 24,754	\$ 43,611
<u>(3,723)</u>	<u>(3,325)</u>	<u>(3,511)</u>	<u>(3,459)</u>	<u>(24,754)</u>	<u>(43,611)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 744,563	\$ 665,037	\$ 702,142	\$ 691,784	\$ 683,824	\$ 646,094
0.50%	0.50%	0.50%	0.50%	3.62%	6.75%
\$ 666	\$ 579	\$ 481	\$ 287	\$ 2,704	\$ 4,114
<u>(666)</u>	<u>(579)</u>	<u>(481)</u>	<u>(287)</u>	<u>(2,704)</u>	<u>(4,114)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 133,136	\$ 115,757	\$ 96,183	\$ 57,319	\$ 74,693	\$ 60,951
0.50%	0.50%	0.50%	0.50%	3.62%	6.75%

CITY OF WATERVILLE

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

PENSION

---

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

*Changes in benefit terms :*

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

*Changes in assumptions :*

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

OHIO POLICE AND FIRE (OP&F) PENSION FUND

*Changes in benefit terms :*

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

*Changes in assumptions :*

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

(Continued)



## CITY OF WATERVILLE

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

#### OTHER POSTEMPLOYMENT BENEFITS (OPEB)

---

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

###### *Changes in benefit terms :*

- There were no changes in benefit terms from the amounts reported for 2017-2020.
- 

For 2021, the following were the most significant changes in benefit terms since the prior measurement date: the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care Plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.

###### *Changes in assumptions :*

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

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

###### *Changes in benefit terms :*

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

###### *Changes in assumptions :*

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

**This page intentionally left blank.**



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

City of Waterville  
Lucas County  
25 North Second Street  
Waterville, Ohio 43566

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waterville, Lucas County, (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2022, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City.

***Report on Internal Control Over Financial Reporting***

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

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

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

***Report on Compliance and Other Matters***

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

***Purpose of This Report***

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

*BHM CPA Group*

BHM CPA Group, Inc.  
Piketon, Ohio  
June 28, 2022

# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF WATERVILLE**

**LUCAS 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 8/2/2022**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)