



**CITY OF WAUSEON
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2021

**OHIO AUDITOR OF STATE
KEITH FABER**



**CITY OF WAUSEON
FULTON COUNTY**

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CITY OF WAUSEON
FULTON COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

Report on the 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 Wauseon, Fulton 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 Wauseon, Fulton 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 the State and Local Fiscal Recovery 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 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City'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 December 8, 2022, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

December 8, 2022

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CITY OF WAUSEON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2021

Unaudited

The discussion and analysis of the City of Wauseon's financial performance provides an overall review of the City's financial activities for the year ended December 31, 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 notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2021 are as follows:

- ❑ In total, net position increased \$1,723,353. Net position of governmental activities increased \$941,727, which represents a 7% change from 2020. Net position of business-type activities increased \$781,626 or approximately 5% from 2020.
- ❑ General revenues accounted for \$5,391,730 in revenue or 49% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,694,703, 51% of total revenues of \$11,086,433.
- ❑ The City had \$6,666,181 in expenses related to governmental activities; only \$2,240,727 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$5,367,181 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$6,529,998 in revenues, and \$5,633,899 in expenditures. The general fund's fund balance increased from \$1,028,214 to \$1,921,193.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

CITY OF WAUSEON, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2021*

Unaudited

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

CITY OF WAUSEON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2021

Unaudited

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net position for 2021 compared to 2020.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$7,849,167	\$6,983,113	\$4,182,788	\$3,930,394	\$12,031,955	\$10,913,507
Net OPEB Asset	153,274	0	109,896	0	263,170	0
Capital Assets, Net	16,586,055	16,680,672	14,915,446	15,380,163	31,501,501	32,060,835
Total Assets	<u>24,588,496</u>	<u>23,663,785</u>	<u>19,208,130</u>	<u>19,310,557</u>	<u>43,796,626</u>	<u>42,974,342</u>
Deferred Outflows of Resources	<u>2,357,942</u>	<u>2,956,147</u>	<u>225,255</u>	<u>304,990</u>	<u>2,583,197</u>	<u>3,261,137</u>
Net Pension Liability	5,977,361	6,492,445	919,799	1,145,583	6,897,160	7,638,028
Net OPEB Liability	729,623	1,878,555	0	791,830	729,623	2,670,385
Long-term Liabilities	2,145,843	1,974,727	2,094,199	2,320,848	4,240,042	4,295,575
Other Liabilities	639,214	304,724	109,313	205,871	748,527	510,595
Total Liabilities	<u>9,492,041</u>	<u>10,650,451</u>	<u>3,123,311</u>	<u>4,464,132</u>	<u>12,615,352</u>	<u>15,114,583</u>
Deferred Inflows of Resources	<u>2,388,094</u>	<u>1,844,905</u>	<u>732,772</u>	<u>355,739</u>	<u>3,120,866</u>	<u>2,200,644</u>
Net Position						
Net Investment in Capital Assets	14,786,620	14,987,672	13,055,339	13,130,952	27,841,959	28,118,624
Restricted	3,329,115	2,933,774	0	0	3,329,115	2,933,774
Unrestricted (Deficit)	(3,049,432)	(3,796,870)	2,521,963	1,664,724	(527,469)	(2,132,146)
Total Net Position	<u>\$15,066,303</u>	<u>\$14,124,576</u>	<u>\$15,577,302</u>	<u>\$14,795,676</u>	<u>\$30,643,605</u>	<u>\$28,920,252</u>

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

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

CITY OF WAUSEON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2021***

Unaudited

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

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

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

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

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

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

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

CITY OF WAUSEON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2021

Unaudited

Change in Net Position – The following table shows the change in net position for 2021 compared to 2020:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues:						
Charges for Services and Sales	\$1,583,384	\$1,438,293	\$3,453,976	\$3,139,385	\$5,037,360	\$4,577,678
Operating Grants and Contributions	657,343	1,091,870	0	0	657,343	1,091,870
Capital Grants and Contributions	0	16,000	0	0	0	16,000
Total Program Revenues	2,240,727	2,546,163	3,453,976	3,139,385	5,694,703	5,685,548
General revenues:						
Property Taxes	542,457	568,125	0	0	542,457	568,125
Income Taxes	4,480,382	3,882,992	0	0	4,480,382	3,882,992
Intergovernmental Revenues, Unrestricted	252,317	680,370	0	0	252,317	680,370
Investment Earnings	(6,604)	128,235	24,549	51,239	17,945	179,474
Miscellaneous	98,629	103,352	0	0	98,629	103,352
Total General Revenues	5,367,181	5,363,074	24,549	51,239	5,391,730	5,414,313
Total Revenues	7,607,908	7,909,237	3,478,525	3,190,624	11,086,433	11,099,861
Program Expenses						
Security of Persons and Property	4,143,339	4,650,829	0	0	4,143,339	4,650,829
Basic Utility Services	92,037	110,007	0	0	92,037	110,007
Leisure Time Activities	533,571	864,882	0	0	533,571	864,882
Community Environment	110,650	148,231	0	0	110,650	148,231
Transportation	898,565	1,170,466	0	0	898,565	1,170,466
General Government	780,438	1,137,756	0	0	780,438	1,137,756
Interest and Fiscal Charges	107,581	76,956	0	0	107,581	76,956
Water	0	0	1,232,899	1,870,528	1,232,899	1,870,528
Wastewater	0	0	1,464,000	1,658,384	1,464,000	1,658,384
Total Expenses	6,666,181	8,159,127	2,696,899	3,528,912	9,363,080	11,688,039
Total Change in Net Position	941,727	(249,890)	781,626	(338,288)	1,723,353	(588,178)
Beginning Net Position	14,124,576	14,374,466	14,795,676	15,133,964	28,920,252	29,508,430
Ending Net Position	\$15,066,303	\$14,124,576	\$15,577,302	\$14,795,676	\$30,643,605	\$28,920,252

Governmental Activities

Net position of governmental activities increased \$941,727, or 7%. Coronavirus Relief Funding received in the prior year resulted in a subsequent decrease in operating grants and contributions in the current year. An increase in income taxes was the result of improving economic conditions. Refunds received from the Ohio Bureau of Workers' Compensation in the prior year resulted in a subsequent decrease in unrestricted intergovernmental revenue in 2021.

An overall decrease in expenses can be attributed to changes in the net pension and net OPEB liabilities.

CITY OF WAUSEON, OHIO

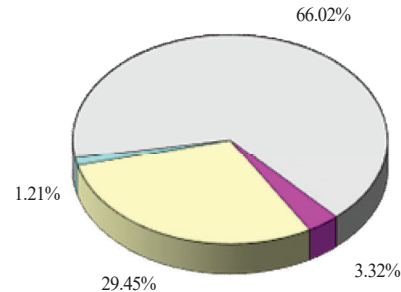
**Management's Discussion and Analysis
For the Year Ended December 31, 2021**

Unaudited

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

Taxes made up 66% of revenues for governmental activities in 2021. The City's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2021	Percent of Total
General Tax Revenues	\$5,022,839	66.02%
Intergovernmental, Unrestricted	252,317	3.32%
Program Revenues	2,240,727	29.45%
General Other	92,025	1.21%
Total Revenue	\$7,607,908	100.00%



Business-Type Activities

Net position of business-type activities increased \$781,626. This represents a change of approximately 5% from the previous year. Revenues were consistent with the previous year. The increase in net position can be attributed to a decrease in the net pension and net OPEB liabilities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$5,040,566, which is an increase from last year's balance of \$4,611,872. The schedule below indicates the fund balance and the total change in fund balance at December 31, 2021 and 2020:

	Fund Balance December 31, 2021	Fund Balance December 31, 2020	Increase (Decrease)
General	\$1,921,193	\$1,028,214	\$892,979
State and Local Fiscal Recovery	0	0	0
Income Tax Capital Improvement	1,154,734	1,982,841	(828,107)
Other Governmental	1,964,639	1,600,817	363,822
Total	\$5,040,566	\$4,611,872	\$428,694

CITY OF WAUSEON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2021***

Unaudited

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

	2021 Revenues	2020 Revenues	Increase (Decrease)
Taxes	\$4,765,294	\$3,481,289	\$1,284,005
Intergovernmental Revenue	251,069	727,779	(476,710)
Charges for Services	1,283,574	1,307,086	(23,512)
Licenses and Permits	91,823	90,555	1,268
Investment Earnings	22,344	48,242	(25,898)
Fines and Forfeitures	17,570	14,568	3,002
All Other Revenue	98,324	94,277	4,047
Total	\$6,529,998	\$5,763,796	\$766,202

General Fund revenues increased approximately 13% when compared to revenues in 2020. The City began allocating 100% of income tax revenues to the General Fund in November 2020, which resulted in an increase in tax revenue. Refunds received from the Ohio Bureau of Workers' Compensation in the prior year resulted in a subsequent decrease in intergovernmental revenue in 2021.

	2021 Expenditures	2020 Expenditures	Increase (Decrease)
Security of Persons and Property	\$3,834,499	\$3,260,535	\$573,964
Basic Utility Services	72,332	54,550	17,782
Leisure Time Activities	497,485	599,004	(101,519)
Community Environment	84,080	96,951	(12,871)
Transportation	379,652	360,006	19,646
General Government	762,951	800,041	(37,090)
Capital Outlay	2,900	1,885	1,015
Total	\$5,633,899	\$5,172,972	\$460,927

General Fund expenditures increased \$460,927, or 9% when compared with the previous year. A decrease in security of persons and property in the prior year due to a portion of police and fire expenditures being funded from the Coronavirus Relief Fund resulted in a subsequent increase in 2021. A decrease in leisure time activities can be attributed to a larger portion of pool expenditures being funded from the Park and Recreation Fund.

CITY OF WAUSEON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2021***

Unaudited

State and Local Fiscal Recovery Fund – The City received \$388,103 in State and Local Fiscal Recovery funds, as part of the American Rescue Plan Act. \$68,538 of these funds were expended in 2021 and recognized as revenue. The remaining \$319,565 of unspent funds are reflected on the balance sheet as unearned revenue.

Income Tax Capital Improvement Fund – The Income Tax Capital Improvement fund balance decreased approximately 42%. The City began allocating 100% of income tax revenues to the General Fund in November 2020, which resulted in a decrease in tax revenue.

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of 2021 the City amended its General Fund budget several times.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021 the City had \$31,501,501 net of accumulated depreciation invested in land, buildings, improvements, infrastructure, equipment and vehicles. Of this total, \$16,586,055 was related to governmental activities and \$14,915,446 to the business-type activities. The following tables show 2021 and 2020 balances:

	Governmental Activities		Increase (Decrease)
	2021	2020	
Land	\$1,719,083	\$1,667,379	\$51,704
Construction In Progress	100,296	92,844	7,452
Buildings	6,280,284	6,213,491	66,793
Improvements Other than Buildings	3,905,222	3,873,694	31,528
Machinery and Equipment	5,500,318	5,108,157	392,161
Infrastructure	11,859,618	11,706,132	153,486
Less: Accumulated Depreciation	(12,778,766)	(11,981,025)	(797,741)
Totals	<u>\$16,586,055</u>	<u>\$16,680,672</u>	<u>(\$94,617)</u>

Significant governmental activities capital asset additions included the purchase of a vacuum-truck and tractor in the street department, as well as other various equipment purchases in the police and parks departments.

CITY OF WAUSEON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2021**

Unaudited

	Business-Type Activities		Increase (Decrease)
	2021	2020	
Land	\$103,710	\$103,710	\$0
Construction in Progress	58,495	26,995	31,500
Buildings	9,650,074	9,572,180	77,894
Improvements other than Buildings	16,221,402	16,220,298	1,104
Machinery and Equipment	6,798,083	6,783,830	14,253
Less: Accumulated Depreciation	(17,916,318)	(17,326,850)	(589,468)
Totals	\$14,915,446	\$15,380,163	(\$464,717)

Business-type additions to capital assets included water meters, sewage pumps, and a boiler.

Additional information on the City's capital assets can be found in Note 7.

Debt and Other Long-Term Obligations

The following table summarizes the City's debt and other long-term obligations outstanding as of December 31, 2021 and 2020:

	2021	2020
Governmental Activities:		
General Obligation Bonds	\$1,529,000	\$1,630,000
Installment Loans	270,435	0
Compensated Absences	346,408	344,727
Total Governmental Activities	2,145,843	1,974,727
Business-Type Activities:		
Ohio Water Development Authority Loans	1,717,977	1,885,381
Long Term Note Payable	0	245,000
General Obligation Bonds	206,000	0
Compensated Absences	170,222	190,467
Total Business-Type Activities	2,094,199	2,320,848
Totals	\$4,240,042	\$4,295,575

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2021, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 10.

CITY OF WAUSEON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2021***

Unaudited

ECONOMIC FACTORS

The City of Wauseon is the county seat of Fulton County, located in the northwest corner of Ohio. The City's main source of revenue is a 1.5% income tax levied on residents of the City and nonresidents working within the City. Income tax revenues collected are allocated between the General Fund and the Capital Projects Fund. Beginning in November of 2020 the city began allocating all income tax revenue to the General Fund with the intention of transferring the necessary funds for future improvements at the end of the year. Income tax receipts for 2021 increased approximately 16% compared to 2020.

The city found economic relief in 2021 after several years of decreases in income tax revenue. City Council approved a tax change beginning on January 1, 2021 to only allow 1% credit for resident taxes paid to another municipality. This change provided an increase in withholding taxes by 9% in 2021. Business revenue taxes also increases in 2021 from 2020 by 72%. The city continues to use conservative budgeting to off-set prior year decreases and the general economic climate. Continued employment is key to the stability and growth of the City's revenue stream.

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

REQUESTS FOR INFORMATION

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

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CITY OF WAUSEON, OHIO

Statement of Net Position
December 31, 2021

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 1,707,856	\$ 662,961	\$ 2,370,817
Cash and Cash Equivalents in Segregated Accounts	1,934	0	1,934
Investments	2,595,755	2,690,486	5,286,241
Receivables:			
Taxes	1,253,199	0	1,253,199
Accounts	111,462	563,238	674,700
Intergovernmental	366,609	0	366,609
Special Assessments	1,074,687	0	1,074,687
Loans	379,770	41,444	421,214
Inventory of Supplies at Cost	82,726	185,300	268,026
Prepaid Items	39,644	39,359	79,003
Restricted Assets:			
Cash and Cash Equivalents	71,069	0	71,069
Cash and Cash Equivalents with Fiscal Agent	164,456	0	164,456
Net OPEB Asset	153,274	109,896	263,170
Non-Depreciable Capital Assets	1,819,379	162,205	1,981,584
Depreciable Capital Assets, Net	14,766,676	14,753,241	29,519,917
Total Assets	24,588,496	19,208,130	43,796,626
Deferred Outflows of Resources:			
Pension	1,511,879	152,737	1,664,616
OPEB	846,063	72,518	918,581
Total Deferred Outflows of Resources	2,357,942	225,255	2,583,197
Liabilities:			
Accounts Payable	93,684	45,581	139,265
Accrued Wages and Benefits	134,604	39,201	173,805
Intergovernmental Payable	22,307	5,931	28,238
Claims Payable	60,394	18,387	78,781
Unearned Revenue	319,565	0	319,565
Accrued Interest Payable	8,660	213	8,873
Noncurrent Liabilities:			
Due Within One Year	453,990	318,953	772,943
Due in More Than One Year:			
Net Pension Liability	5,977,361	919,799	6,897,160
Net OPEB Liability	729,623	0	729,623
Other Amounts Due in More Than One Year	1,691,853	1,775,246	3,467,099
Total Liabilities	9,492,041	3,123,311	12,615,352

(Continued)

CITY OF WAUSEON, OHIO

	Governmental Activities	Business-Type Activities	Total
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	535,969	0	535,969
Pension	1,115,618	396,988	1,512,606
OPEB	736,507	335,784	1,072,291
Total Deferred Inflows of Resources	2,388,094	732,772	3,120,866
Net Position:			
Net Investment in Capital Assets	14,786,620	13,055,339	27,841,959
Restricted For:			
Capital Projects	1,074,687	0	1,074,687
Other Purposes	2,254,428	0	2,254,428
Unrestricted (Deficit)	(3,049,432)	2,521,963	(527,469)
Total Net Position	\$ 15,066,303	\$ 15,577,302	\$ 30,643,605

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

Statement of Activities
For the Year Ended December 31, 2021

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Security of Persons and Property	\$ 4,143,339	\$ 1,351,965	\$ 31,542
Basic Utility Services	92,037	1,745	0
Leisure Time Activities	533,571	91,790	0
Community Environment	110,650	30,011	0
Transportation	898,565	0	557,263
General Government	780,438	107,873	68,538
Interest and Fiscal Charges	107,581	0	0
Total Governmental Activities	6,666,181	1,583,384	657,343
Business-Type Activities:			
Water	1,232,899	1,830,553	0
Wastewater	1,464,000	1,623,423	0
Total Business-Type Activities	2,696,899	3,453,976	0
Totals	\$ 9,363,080	\$ 5,037,360	\$ 657,343

General Revenues

Property Taxes Levied for:

General Purposes

Parks and Recreation

Income Taxes

Intergovernmental Revenues, Unrestricted

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (2,759,832)	\$ 0	\$ (2,759,832)
(90,292)	0	(90,292)
(441,781)	0	(441,781)
(80,639)	0	(80,639)
(341,302)	0	(341,302)
(604,027)	0	(604,027)
(107,581)	0	(107,581)
<u>(4,425,454)</u>	<u>0</u>	<u>(4,425,454)</u>
0	597,654	597,654
0	159,423	159,423
0	757,077	757,077
<u>\$ (4,425,454)</u>	<u>\$ 757,077</u>	<u>\$ (3,668,377)</u>
297,884	0	297,884
244,573	0	244,573
4,480,382	0	4,480,382
252,317	0	252,317
(6,604)	24,549	17,945
98,629	0	98,629
<u>5,367,181</u>	<u>24,549</u>	<u>5,391,730</u>
941,727	781,626	1,723,353
14,124,576	14,795,676	28,920,252
<u>\$ 15,066,303</u>	<u>\$ 15,577,302</u>	<u>\$ 30,643,605</u>

CITY OF WAUSEON, OHIO

**Balance Sheet
Governmental Funds
December 31, 2021**

	General	State and Local Fiscal Recovery	Income Tax Capital Improvement
Assets:			
Cash and Cash Equivalents	\$ 374,805	\$ 334,728	\$ 290,796
Cash and Cash Equivalents in Segregated Accounts	0	0	0
Investments	1,065,340	0	863,938
Receivables:			
Taxes	1,008,735	0	0
Accounts	111,462	0	0
Intergovernmental	120,118	0	0
Special Assessments	0	0	1,074,687
Loans	0	0	0
Inventory of Supplies, at Cost	25,008	0	0
Prepaid Items	35,014	0	0
Restricted Assets:			
Cash and Cash Equivalents	0	0	0
Cash and Cash Equivalents with Fiscal Agent	0	0	0
Total Assets	\$ 2,740,482	\$ 334,728	\$ 2,229,421
Liabilities:			
Accounts Payable	\$ 76,222	\$ 15,163	\$ 0
Accrued Wages and Benefits Payable	129,347	0	0
Intergovernmental Payable	22,307	0	0
Claims Payable	58,332	0	0
Unearned Revenue	0	319,565	0
Total Liabilities	286,208	334,728	0
Deferred Inflows of Resources:			
Unavailable Amounts	236,509	0	1,074,687
Property Tax Levy for Next Fiscal Year	296,572	0	0
Total Deferred Inflows of Resources	533,081	0	1,074,687
Fund Balance:			
Nonspendable	60,022	0	0
Restricted	0	0	0
Committed	0	0	1,154,734
Assigned	64,831	0	0
Unassigned	1,796,340	0	0
Total Fund Balance	1,921,193	0	1,154,734
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,740,482	\$ 334,728	\$ 2,229,421

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 707,527	\$ 1,707,856
1,934	1,934
666,477	2,595,755
244,464	1,253,199
0	111,462
246,491	366,609
0	1,074,687
379,770	379,770
57,718	82,726
4,630	39,644
71,069	71,069
164,456	164,456
<u>\$ 2,544,536</u>	<u>\$ 7,849,167</u>
\$ 2,299	\$ 93,684
5,257	134,604
0	22,307
2,062	60,394
0	319,565
<u>9,618</u>	<u>630,554</u>
330,882	1,642,078
239,397	535,969
<u>570,279</u>	<u>2,178,047</u>
442,118	502,140
1,522,521	1,522,521
0	1,154,734
0	64,831
0	1,796,340
<u>1,964,639</u>	<u>5,040,566</u>
<u>\$ 2,544,536</u>	<u>\$ 7,849,167</u>

CITY OF WAUSEON, OHIO

Reconciliation Of Total Governmental Fund Balances To Net Position Of Governmental Activities December 31, 2021

Total Governmental Fund Balances \$ 5,040,566

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

Capital Assets used in governmental activities are not
resources and therefore are not reported in the funds. 16,586,055

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds. 1,642,078

The net pension/OPEB liability is not due and payable in the current period;
therefore, the liability and related deferred inflows/outflows are not
reported in governmental funds:

Deferred Outflows - Pension	1,511,879	
Deferred Inflows - Pension	(1,115,618)	
Net Pension Liability	(5,977,361)	
Deferred Outflows - OPEB	846,063	
Deferred Inflows - OPEB	(736,507)	
Net OPEB Asset	153,274	
Net OPEB Liability	<u>(729,623)</u>	(6,047,893)

Long-term liabilities, including bonds payable, are not due
and payable in the current period and therefore are not
reported in the funds.

General Obligation Bonds Payable	(1,529,000)	
Installment Loan Payable	(270,435)	
Compensated Absences Payable	(346,408)	
Accrued Interest Payable	<u>(8,660)</u>	<u>(2,154,503)</u>

Net Position of Governmental Activities **\$ 15,066,303**

See accompanying notes to the basic financial statements

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CITY OF WAUSEON, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021**

	General	State and Local Fiscal Recovery	Income Tax Capital Improvement
Revenues:			
Taxes	\$ 4,765,294	\$ 0	\$ 0
Intergovernmental Revenue	251,069	68,538	18,834
Charges for Services	1,283,574	0	0
Licenses and Permits	91,823	0	0
Investment Earnings	22,344	0	(36,186)
Special Assessments	0	0	0
Fines and Forfeitures	17,570	0	0
All Other Revenue	98,324	0	189
Total Revenue	6,529,998	68,538	(17,163)
Expenditures:			
Current:			
Security of Persons and Property	3,834,499	0	0
Basic Utility Services	72,332	0	0
Leisure Time Activities	497,485	0	0
Community Environment	84,080	0	10,559
Transportation	379,652	0	0
General Government	762,951	68,538	0
Capital Outlay	2,900	0	905,706
Debt Service:			
Principal Retirement	0	0	95,565
Interest & Fiscal Charges	0	0	1,067
Total Expenditures	5,633,899	68,538	1,012,897
Excess (Deficiency) of Revenues Over (Under) Expenditures	896,099	0	(1,030,060)
Other Financing Sources (Uses):			
Sale of Assets	0	0	41,336
Loan Issuance	0	0	366,000
Refunding Bonds Issued	0	0	0
Payment to Refunded Bonds Escrow Agent	0	0	0
Transfers In	0	0	0
Transfers Out	0	0	(205,383)
Total Other Financing Sources (Uses)	0	0	201,953
Net Change in Fund Balance	896,099	0	(828,107)
Fund Balance at Beginning of Year	1,028,214	0	1,982,841
Increase (Decrease) in Inventory	(3,120)	0	0
Fund Balance End of Year	\$ 1,921,193	\$ 0	\$ 1,154,734

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 245,371	\$ 5,010,665
522,103	860,544
0	1,283,574
0	91,823
7,238	(6,604)
17,296	17,296
144,316	161,886
116	98,629
<u>936,440</u>	<u>7,517,813</u>
66,058	3,900,557
0	72,332
108,224	605,709
62,260	156,899
268,264	647,916
87,412	918,901
0	908,606
165,000	260,565
85,383	86,450
<u>842,601</u>	<u>7,557,935</u>
93,839	(40,122)
0	41,336
0	366,000
1,694,000	1,694,000
(1,647,991)	(1,647,991)
205,383	205,383
0	(205,383)
<u>251,392</u>	<u>453,345</u>
345,231	413,223
1,600,817	4,611,872
18,591	15,471
<u>\$ 1,964,639</u>	<u>\$ 5,040,566</u>

CITY OF WAUSEON, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Year Ended December 31, 2021***

Net Change in Fund Balances - Total Governmental Funds \$ 413,223

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

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

Capital Outlay	934,923	
Depreciation Expense	(1,006,360)	(71,437)

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

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets.		(23,180)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		90,095
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Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:

Pension	562,491	
OPEB	9,032	571,523

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

Pension	(693,777)	
OPEB	814,065	120,288

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

General Obligation Bond Principal Retirement	1,630,000	
General Obligation Refunding Bonds Issued	(1,529,000)	
Installment Loan Issued	(366,000)	
Installment Loan Principal Retirement	95,565	
Accrued Interest Payable	(3,140)	(172,575)

(Continued)

CITY OF WAUSEON, OHIO

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

Compensated Absences	(1,681)	
Change in Inventory	15,471	13,790

Change in Net Position of Governmental Activities

<u>15,471</u>	<u>13,790</u>
	<u><u>\$ 941,727</u></u>

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 4,159,900	\$ 4,727,600	\$ 4,729,311	\$ 1,711
Intergovernmental Revenue	249,400	237,400	225,772	(11,628)
Charges for Services	1,397,800	1,293,100	1,294,998	1,898
Licenses and Permits	4,000	10,500	12,715	2,215
Investment Earnings	50,000	17,000	22,344	5,344
Fines and Forfeitures	18,200	18,200	17,190	(1,010)
All Other Revenues	247,000	178,500	177,545	(955)
Total Revenues	<u>6,126,300</u>	<u>6,482,300</u>	<u>6,479,875</u>	<u>(2,425)</u>
Expenditures:				
Current:				
Security of Persons and Property	3,828,920	3,884,770	3,800,278	84,492
Basic Utility Services	69,950	76,100	74,820	1,280
Leisure Time Activities	616,659	545,409	493,376	52,033
Community Environment	124,750	113,750	92,180	21,570
Transportation	356,896	401,671	380,423	21,248
General Government	803,504	834,479	769,309	65,170
Capital Outlay	10,500	10,500	5,500	5,000
Total Expenditures	<u>5,811,179</u>	<u>5,866,679</u>	<u>5,615,886</u>	<u>250,793</u>
Net Change in Fund Balance	315,121	615,621	863,989	248,368
Fund Balance at Beginning of Year	465,546	465,546	465,546	0
Prior Year Encumbrances	33,209	33,209	33,209	0
Fund Balance at End of Year	<u>\$ 813,876</u>	<u>\$ 1,114,376</u>	<u>\$ 1,362,744</u>	<u>\$ 248,368</u>

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
State and Local Fiscal Recovery Fund
For the Year Ended December 31, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenue	\$ 0	\$ 388,000	\$ 388,103	\$ 103
Total Revenues	0	388,000	388,103	103
Expenditures:				
Current:				
General Government	0	253,150	87,553	165,597
Total Expenditures	0	253,150	87,553	165,597
Net Change in Fund Balance	0	134,850	300,550	165,700
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	\$ 0	\$ 134,850	\$ 300,550	\$ 165,700

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2021**

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Total
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ 422,814	\$ 240,147	\$ 662,961
Investments	567,044	2,123,442	2,690,486
Receivables:			
Accounts	203,935	359,303	563,238
Loans	41,444	0	41,444
Inventory of Supplies at Cost	171,974	13,326	185,300
Prepaid Items	8,686	30,673	39,359
Total Current Assets	<u>1,415,897</u>	<u>2,766,891</u>	<u>4,182,788</u>
Noncurrent Assets:			
Net OPEB Asset	63,870	46,026	109,896
Capital Assets, Net	7,399,788	7,515,658	14,915,446
Total Noncurrent Assets	<u>7,463,658</u>	<u>7,561,684</u>	<u>15,025,342</u>
Total Assets	<u>8,879,555</u>	<u>10,328,575</u>	<u>19,208,130</u>
Deferred Outflows of Resources:			
Pension	88,767	63,970	152,737
OPEB	42,145	30,373	72,518
Total Deferred Outflows of Resources	<u>130,912</u>	<u>94,343</u>	<u>225,255</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	26,441	19,140	45,581
Accrued Wages and Benefits	23,861	15,340	39,201
Intergovernmental Payable	5,291	640	5,931
Claims Payable	12,494	5,893	18,387
Compensated Absences Payable - Current	59,024	36,876	95,900
Accrued Interest Payable	213	0	213
General Obligation Bonds Payable - Current	50,000	0	50,000
OWDA Loans Payable - Current	20,374	152,679	173,053
Total Current Liabilities	<u>197,698</u>	<u>230,568</u>	<u>428,266</u>
Noncurrent Liabilities:			
General Obligation Bonds Payable	156,000	0	156,000
OWDA Loans Payable	21,070	1,523,854	1,544,924
Compensated Absences Payable	39,998	34,324	74,322
Net Pension Liability	534,566	385,233	919,799
Total Noncurrent Liabilities	<u>751,634</u>	<u>1,943,411</u>	<u>2,695,045</u>
Total Liabilities	<u>949,332</u>	<u>2,173,979</u>	<u>3,123,311</u>

(Continued)

CITY OF WAUSEON, OHIO

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Total
Deferred Inflows of Resources:			
Pension	230,718	166,270	396,988
OPEB	195,149	140,635	335,784
Total Deferred Inflows of Resources	<u>425,867</u>	<u>306,905</u>	<u>732,772</u>
Net Position:			
Net Investment in Capital Assets	7,216,214	5,839,125	13,055,339
Unrestricted	419,054	2,102,909	2,521,963
Total Net Position	<u>\$ 7,635,268</u>	<u>\$ 7,942,034</u>	<u>\$ 15,577,302</u>

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2021**

	Business-Type Activities		Total
	Enterprise Funds		
	Water	Wastewater	
Operating Revenues:			
Charges for Services	\$ 1,787,322	\$ 1,444,815	\$ 3,232,137
Other Operating Revenues	7,360	170,934	178,294
Total Operating Revenues	1,794,682	1,615,749	3,410,431
Operating Expenses:			
Personal Services	440,047	557,566	997,613
Contractual Services	140,427	158,766	299,193
Materials and Supplies	272,210	267,606	539,816
Depreciation	305,193	402,876	708,069
Total Operating Expenses	1,157,877	1,386,814	2,544,691
Operating Income	636,805	228,935	865,740
Non-Operating Revenues (Expenses):			
Interest Income	5,285	19,264	24,549
Interest and Fiscal Charges	(8,596)	(59,706)	(68,302)
Loss on Disposal of Capital Assets	(4,986)	(9,805)	(14,791)
Other Nonoperating Revenue	35,871	7,674	43,545
Other Nonoperating Expense	(61,440)	(7,675)	(69,115)
Total Non-Operating Revenues (Expenses)	(33,866)	(50,248)	(84,114)
Change in Net Position	602,939	178,687	781,626
Net Position Beginning of Year	7,032,329	7,763,347	14,795,676
Net Position End of Year	\$ 7,635,268	\$ 7,942,034	\$ 15,577,302

See accompanying notes to the basic financial statements

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CITY OF WAUSEON, OHIO

***Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021***

	Business-Type Activities Enterprise Funds		Total
	Water	Wastewater	
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,831,857	\$1,448,343	\$3,280,200
Cash Payments for Goods and Services	(460,764)	(427,631)	(888,395)
Cash Payments to Employees	(832,025)	(834,884)	(1,666,909)
Net Cash Provided by Operating Activities	539,068	185,828	724,896
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(246,254)	(137,990)	(384,244)
Bonds Issued	206,000	0	206,000
Note Retirement	(245,000)	0	(245,000)
OWDA Loan Retirement	(19,700)	(147,704)	(167,404)
Interest Paid on All Debt	(8,815)	(59,706)	(68,521)
Net Cash Used by Capital and Related Financing Activities	(313,769)	(345,400)	(659,169)
<u>Cash Flows from Investing Activities:</u>			
Purchase of Investments	(567,044)	(2,123,442)	(2,690,486)
Sale of Investments	562,082	2,104,858	2,666,940
Receipts of Interest	5,285	19,264	24,549
Net Cash Provided by Investing Activities	323	680	1,003
Net Increase (Decrease) in Cash and Cash Equivalents	225,622	(158,892)	66,730
Cash and Cash Equivalents at Beginning of Year	197,192	399,039	596,231
Cash and Cash Equivalents at End of Year	\$422,814	\$240,147	\$662,961

(Continued)

CITY OF WAUSEON, OHIO

	Business-Type Activities Enterprise Funds		Total
	Water	Wastewater	
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income	\$636,805	\$228,935	\$865,740
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	305,193	402,876	708,069
Miscellaneous Nonoperating Revenue	55,783	7,674	63,457
Miscellaneous Nonoperating Expense	(60,057)	(7,461)	(67,518)
Changes in Assets, Liabilities, and Deferred Outflows/Inflows:			
Increase in Accounts Receivable	(18,608)	(175,080)	(193,688)
(Increase) Decrease in Inventory	(842)	5,781	4,939
Decrease in Prepaid Items	4,256	2,463	6,719
Increase in Net OPEB Asset	(63,870)	(46,026)	(109,896)
Decrease in Deferred Outflows of Resources	49,116	30,619	79,735
Increase in Accounts Payable	6,792	192	6,984
Increase (Decrease) in Accrued Wages and Benefits	1,999	(500)	1,499
Increase (Decrease) in Intergovernmental Payable	1,678	(383)	1,295
Increase in Claims Payable	12,494	5,893	18,387
Increase (Decrease) in Compensated Absences Payable	1,496	(21,741)	(20,245)
Decrease in Net Pension Liability	(141,650)	(84,134)	(225,784)
Decrease in Net OPEB Liability	(467,401)	(324,429)	(791,830)
Increase in Deferred Inflows of Resources	215,884	161,149	377,033
Total Adjustments	<u>(97,737)</u>	<u>(43,107)</u>	<u>(140,844)</u>
Net Cash Provided by Operating Activities	<u>\$539,068</u>	<u>\$185,828</u>	<u>\$724,896</u>

See accompanying notes to the basic financial statements

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are presented as of December 31, 2021 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

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

Jointly Governed Organizations

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

The Wauseon Ohio Advanced Energy Improvement District (the District) is a not for profit entity established pursuant to Ohio Revised Code (ORC) Chapter 1710. The District was created by legislative action taken by participating political subdivisions and is governed by the District's board of trustees. The participating political subdivisions include Rupp Unlimited Property Partnership, LLC and the City of Wauseon. The District was established to develop and implement special energy improvement projects as defined by ORC Chapter 1710, and is therefore subject to special assessments. The City paid \$17,296 to the District in 2021.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

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

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

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

State and Local Fiscal Recovery Fund - This fund is used to account for Coronavirus State and Local Fiscal Recovery funds received as part of the American Rescue Plan Act. The funds are to be used to support the response and recovery from the COVID-19 public health emergency.

Income Tax Capital Improvement Fund - This fund is used to account for the financial resources used for the major capital projects undertaken by the City.

Proprietary Funds

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

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

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

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

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

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

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

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

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

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

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

D. Basis of Accounting

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

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

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

Special assessment installments including related accrued interest, which are measurable but not available at December 31, are recorded as deferred inflows of resources. Property taxes measurable as of December 31, 2021 but which are not intended to finance 2021 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources. Property taxes are further described in Note 4.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

E. Budgetary Process

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

1. Tax Budget

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

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CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Prior to October 1, the City accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2021.

3. Appropriations

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

4. Encumbrances

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

5. Lapsing of Appropriations

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

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting

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

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

	Net Change in Fund Balance	
	General Fund	State and Local Fiscal Recovery Fund
GAAP Basis (as reported)	\$896,099	\$0
Increase (Decrease):		
Accrued Revenues at December 31, 2021 received during 2022	(707,234)	0
Accrued Revenues at December 31, 2020 received during 2021	657,111	0
Accrued Expenditures at December 31, 2021 paid during 2022	286,208	334,728
Accrued Expenditures at December 31, 2020 paid during 2021	(207,727)	0
2020 Prepays for 2021	51,947	0
2021 Prepays for 2022	(35,014)	0
Outstanding Encumbrances	(77,401)	(34,178)
Budget Basis	\$863,989	\$300,550

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). The amounts in STAR Ohio are considered cash equivalents because they are highly liquid investments with original maturity dates of three months or less.

The City pools a majority of its cash for investment and resource management purposes, while maintaining some segregated funds. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintains its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. See Note 3, "Cash, Cash Equivalents and Investments."

G. Investments

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City allocates interest among the various funds as determined by City Ordinance. Interest revenue credited to the general fund during 2021 amounted to \$22,344, which includes \$14,907 assigned from other funds.

The City's investment in the State Treasury Asset Reserve of Ohio (STAR 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 and is recognized as an external investment pool by the City. The City measures their 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 a NAV per share that approximates fair value. For fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

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

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

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

CITY OF WAUSEON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

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

L. Compensated Absences

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

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

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

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

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Position

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

N. Pension/OPEB

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

O. Interfund Activity

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

P. Fund Balances

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

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

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

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balances (Continued)

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

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

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

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

Q. Operating Revenues and Expenses

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no special or extraordinary items to report during 2021.

S. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. For the City, deferred outflows of resources are reported for pension/OPEB amounts on the government-wide and proprietary funds statement of net position. See Notes 8 and 9.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension/OPEB are reported on the government-wide and proprietary funds statement of net position. See Notes 8 and 9.

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CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 2 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	State and Local Fiscal Recovery Fund	Income Tax Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Loans Receivable	\$0	\$0	\$0	\$379,770	\$379,770
Prepaid Items	35,014	0	0	4,630	39,644
Supplies Inventory	25,008	0	0	57,718	82,726
Total Nonspendable	<u>60,022</u>	<u>0</u>	<u>0</u>	<u>442,118</u>	<u>502,140</u>
Restricted:					
Street Improvements	0	0	0	1,143,622	1,143,622
Parks and Recreation	0	0	0	180,468	180,468
Debt Service	0	0	0	1,009	1,009
Drug and Alcohol Treatment and Education	0	0	0	126,353	126,353
Community Development and Improvement	0	0	0	71,069	71,069
Total Restricted	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,522,521</u>	<u>1,522,521</u>
Committed:					
Capital Improvements	0	0	1,154,734	0	1,154,734
Assigned:					
Services and Supplies	64,831	0	0	0	64,831
Total Assigned	<u>64,831</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>64,831</u>
Unassigned:	1,796,340	0	0	0	1,796,340
Total Fund Balances	<u>\$1,921,193</u>	<u>\$0</u>	<u>\$1,154,734</u>	<u>\$1,964,639</u>	<u>\$5,040,566</u>

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

A. Deposits

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

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

At year end the carrying amount of the City's deposits was \$2,737,881 and the bank balance was \$2,886,396. Federal depository insurance covered the entire bank balance.

The City had restricted cash in the amount of \$71,069, which was related to the Community Development Block Grant Economic Development Revolving Loan Fund. In addition, the City had cash with fiscal agent in the amount of \$164,456, which was related to permissive tax monies held and secured by Fulton County. The City had petty cash in the amount of \$1,050.

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The City's investments at December 31, 2021 are summarized below:

	Fair Value	Credit Rating	Fair Value Hierarchy	Concentration of Credit Risk	Investment Maturities (in Years)		
					less than 1	1-3	3-5
STAR Ohio ⁴	\$4,889	AAAm ¹	NA	0.10%	\$4,889	\$0	\$0
Commercial Paper	499,615	A+/AA ¹	Level 2	10.01%	499,615	0	0
Marketable CD's	2,066,004	AAA ³	Level 2	41.39%	330,338	1,735,666	0
US Treasury Notes	988,163	AA+ ¹ /Aaa ²	Level 2	19.80%	0	571,246	416,917
FHLB	221,036	AA+ ¹ /Aaa ²	Level 2	4.43%	0	0	221,036
FMCC	97,284	AA+ ¹ /Aaa ²	Level 2	1.95%	0	0	97,284
FFCB	517,263	AA+ ¹ /Aaa ²	Level 2	10.36%	399,950	117,313	0
FNMA	596,876	AA+ ¹ /Aaa ²	Level 2	11.96%	0	254,690	342,186
Total Investments	\$4,991,130			100.00%	\$1,234,792	\$2,678,915	\$1,077,423

¹ Standard & Poor's

² Moody's Investor Service

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

⁴ Reported at amortized cost

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

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

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

C. Reconciliation of Cash, Cash Equivalents and Investments

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

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

	Cash and Cash Equivalents	Investments
Per Financial Statements	\$2,608,276	\$5,286,241
Cash with Fiscal Agent	(164,456)	
Petty Cash	(1,050)	
Investments:		
Star Ohio	(4,889)	4,889
Certificates of Deposit	300,000	(300,000)
Per GASB Statement No. 3	<u>\$2,737,881</u>	<u>\$4,991,130</u>

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property located in the City. Real property taxes (other than public utility) collected during 2021 were levied after October 1, 2020 on assessed values as of January 1, 2020, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2020. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Wauseon. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2021 was \$4.80 per \$1,000 of assessed value. The assessed value upon which the 2021 levy was based was \$141,659,490. This amount constitutes \$132,471,840 in real property assessed value and \$9,187,650 in public utility assessed value.

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

Real Estate Tax Abatements

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

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

CITY OF WAUSEON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 4 - TAXES (Continued)

A. Property Taxes (Continued)

Currently, there are numerous businesses participating in this program.

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

Below is information relevant to the disclosure of this program for the year ending December 31, 2021.

<u>Tax Abatement Program</u>	<u>Total Amount of Taxes Abated For the year 2021</u>
<i>Community Reinvestment Area (CRA)</i>	
Manufacturing/Commercial	\$12,389
	<u>\$12,389</u>

B. Income Tax

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

NOTE 5 - RECEIVABLES

Receivables at December 31, 2021 consisted of taxes, accounts receivable, special assessments, loans receivable and intergovernmental receivables arising from shared revenues. All receivables other than those offset by deferred inflows are considered collectible in full.

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CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 6 – INTERFUND ACTIVITY

Following is a summary of transfers in and out for all funds for 2021:

Fund	Transfer In	Transfer Out
Income Tax Capital Improvement Fund	\$0	\$205,383
Other Governmental Funds	205,383	0
Totals	<u>\$205,383</u>	<u>\$205,383</u>

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

NOTE 7 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2021:

Historical Cost:

Class	December 31, 2020	Additions	Deletions	December 31, 2021
<i>Capital assets not being depreciated:</i>				
Land	\$1,667,379	\$51,704	\$0	\$1,719,083
Construction in Progress	92,844	7,452	0	100,296
Subtotal	1,760,223	59,156	0	1,819,379
<i>Capital assets being depreciated:</i>				
Buildings	6,213,491	66,793	0	6,280,284
Improvements Other than Buildings	3,873,694	31,528	0	3,905,222
Machinery and Equipment	5,108,157	623,960	(231,799)	5,500,318
Infrastructure	11,706,132	153,486	0	11,859,618
Subtotal	26,901,474	875,767	(231,799)	27,545,442
Total Cost	<u>\$28,661,697</u>	<u>\$934,923</u>	<u>(\$231,799)</u>	<u>\$29,364,821</u>

Accumulated Depreciation:

Class	December 31, 2020	Additions	Deletions	December 31, 2021
Buildings	(\$2,943,458)	(\$164,454)	\$0	(\$3,107,912)
Improvements Other than Buildings	(1,589,179)	(128,676)	0	(1,717,855)
Machinery and Equipment	(3,122,385)	(363,421)	208,619	(3,277,187)
Infrastructure	(4,326,003)	(349,809)	0	(4,675,812)
Total Accumulated Depreciation	<u>(\$11,981,025)</u>	<u>(\$1,006,360) *</u>	<u>\$208,619</u>	<u>(\$12,778,766)</u>
<i>Net Value:</i>	<u>\$16,680,672</u>			<u>\$16,586,055</u>

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 7 - CAPITAL ASSETS (Continued)

A. Governmental Activities Capital Assets (Continued)

* Depreciation was charged to governmental functions as follows:

Security of Persons and Property	\$115,433
Basic Utility Services	50,359
Leisure Time Activities	195,937
Transportation	530,114
General Government	114,517
Total Depreciation Expense	\$1,006,360

Under GASB Statement No. 34, the City is not required to retroactively report infrastructure assets. Only infrastructure capital assets acquired or constructed beginning in 2003 are reflected in the basic financial statements for the year ended December 31, 2021.

B. Business-Type Activities Capital Assets

Summary by category of changes in business-type activities capital assets at December 31, 2021:

Historical Cost:

Class	December 31, 2020	Additions	Deletions	December 31, 2021
<i>Capital assets not being depreciated:</i>				
Land	\$103,710	\$0	\$0	\$103,710
Construction in Progress	26,995	31,500	0	58,495
Subtotal	130,705	31,500	0	162,205
<i>Capital assets being depreciated:</i>				
Buildings	9,572,180	77,894	0	9,650,074
Improvements other than Buildings	16,220,298	1,104	0	16,221,402
Machinery and Equipment	6,783,830	147,645	(133,392)	6,798,083
Subtotal	32,576,308	226,643	(133,392)	32,669,559
Total Cost	\$32,707,013	\$258,143	(\$133,392)	\$32,831,764

Accumulated Depreciation:

Class	December 31, 2020	Additions	Deletions	December 31, 2021
Buildings	(\$5,692,983)	(\$184,730)	\$0	(\$5,877,713)
Improvements other than Buildings	(6,825,349)	(322,844)	0	(7,148,193)
Machinery and Equipment	(4,808,518)	(200,495)	118,601	(4,890,412)
Total Accumulated Depreciation	(\$17,326,850)	(\$708,069)	\$118,601	(\$17,916,318)

Net Value: \$15,380,163 \$14,915,446

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. 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% 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. For additional information, see the Plan Statement in the OPERS Comprehensive Annual Financial Report.

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.

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$300,906 for 2021.

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

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

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

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

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit. (see OP&F Comprehensive Annual 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 OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

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

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CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$387,239 for 2021.

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

The net pension liability for OPERS was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF’s total pension liability was measured as of December 31, 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 was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability	\$2,202,667	\$4,694,493	\$6,897,160
Proportion of the Net Pension Liability-2021	0.014875%	0.068864%	
Proportion of the Net Pension Liability-2020	0.014404%	0.071119%	
Percentage Change	0.000471%	(0.002255%)	
Pension Expense	\$83,694	\$690,733	\$774,427

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 8 – 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:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes in assumptions	\$0	\$78,730	\$78,730
Differences between expected and actual experience	0	196,243	196,243
Change in proportionate share	64,856	636,642	701,498
City contributions subsequent to the measurement date	<u>300,906</u>	<u>387,239</u>	<u>688,145</u>
Total Deferred Outflows of Resources	<u>\$365,762</u>	<u>\$1,298,854</u>	<u>\$1,664,616</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$858,535	\$227,717	\$1,086,252
Differences between expected and actual experience	92,138	182,883	275,021
Change in proportionate share	<u>0</u>	<u>151,333</u>	<u>151,333</u>
Total Deferred Inflows of Resources	<u>\$950,673</u>	<u>\$561,933</u>	<u>\$1,512,606</u>

\$688,145 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2022	(\$319,406)	\$245,240	(\$74,166)
2023	(99,355)	263,792	164,437
2024	(349,968)	(134,780)	(484,748)
2025	(117,088)	(19,875)	(136,963)
2026	<u>0</u>	<u>(4,695)</u>	<u>(4,695)</u>
Total	<u>(\$885,817)</u>	<u>\$349,682</u>	<u>(\$536,135)</u>

Actuarial Assumptions - OPERS

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

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2020 and December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	December 31, 2020
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	0.5 percent simple through 2021. 2.15 percent simple, thereafter
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age
	December 31, 2019
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	1.4 percent simple through 2020. 2.15 percent simple, thereafter
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	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>	5.43 %

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

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

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$4,201,593	\$2,202,667	\$540,558

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

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

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2020, compared with January 1, 2019, are presented below.

	January 1, 2020	January 1, 2019
Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Cost of Living Adjustments	2.2 percent simple	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

For the January 1, 2020 valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

For the January 1, 2020 valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	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 %	

* levered 2x

Note: Assumptions are geometric

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

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate For 2020, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2019 was 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$6,535,336	\$4,694,493	\$3,153,894

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CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements *For the Year Ended December 31, 2021*

NOTE 9 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability (Asset)

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

The net OPEB liability (asset) represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability (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 these estimates annually.

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

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

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

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CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have 20 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. 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' Comprehensive Annual 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 requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. 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 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2021.

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.

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.

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

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

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

CITY OF WAUSEON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2021, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contractually required contribution to OP&F was \$9,032 for 2021.

OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of 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 (asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability (Asset)	(\$263,170)	\$729,623	\$466,453
Proportion of the Net OPEB Liability (Asset)-2021	0.014772%	0.068864%	
Proportion of the Net OPEB Liability-2020	<u>0.014247%</u>	<u>0.071119%</u>	
Percentage Change	<u>0.000525%</u>	<u>(0.002255%)</u>	
OPEB Expense	(\$1,568,987)	\$129,184	(\$1,439,803)

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes in assumptions	\$129,384	\$403,074	\$532,458
Differences between expected and actual experience	0	0	0
Change in proportionate share	44,275	332,816	377,091
City contributions subsequent to the measurement date	<u>0</u>	<u>9,032</u>	<u>9,032</u>
Total Deferred Outflows of Resources	<u>\$173,659</u>	<u>\$744,922</u>	<u>\$918,581</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on OPEB plan investments	\$140,172	\$27,112	\$167,284
Changes in assumptions	426,421	116,316	542,737
Differences between expected and actual experience	237,514	120,348	357,862
Change in proportionate share	<u>0</u>	<u>4,408</u>	<u>4,408</u>
Total Deferred Inflows of Resources	<u>\$804,107</u>	<u>\$268,184</u>	<u>\$1,072,291</u>

\$9,032 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 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:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2022	(\$325,186)	\$108,118	(\$217,068)
2023	(227,838)	114,541	(113,297)
2024	(60,912)	104,416	43,504
2025	(16,512)	104,626	88,114
2026	0	21,219	21,219
2027	0	12,163	12,163
2028	<u>0</u>	<u>2,623</u>	<u>2,623</u>
Total	<u>(\$630,448)</u>	<u>\$467,706</u>	<u>(\$162,742)</u>

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	6.00 percent
Prior Measurement date	3.16 percent
Investment Rate of Return:	
Current measurement date	6.00 percent
Prior Measurement date	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.00 percent
Prior Measurement date	2.75 percent
Health Care Cost Trend Rate:	
Current measurement date	8.5 percent initial, 3.5 percent ultimate in 2035
Prior Measurement date	10.5 percent initial, 3.5 percent 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.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

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

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

<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>	4.43 %

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.00 percent.

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, 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 (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 6.00 percent, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
City's proportionate share of the net OPEB liability (asset)	(\$65,440)	(\$263,170)	(\$425,729)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability (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 liability (asset). The following table presents the net OPEB liability (asset) calculated using the assumed trend rates and the expected net OPEB liability (asset) if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability (asset)	(\$269,589)	(\$263,170)	(\$255,999)

Changes between Measurement Date and Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-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 pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

CITY OF WAUSEON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

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 reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Single discount rate	2.96 percent	3.56 percent
Cost of Living Adjustments	2.2 percent simple	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2020, are summarized below:

CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

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

* levered 2x

Note: Assumptions are geometric

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 percent. For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.12 percent at December 31, 2020 and 2.75 percent at December 31, 2019, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 2.96 percent for 2020 and 3.56 percent for 2019. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

CITY OF WAUSEON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 9 - DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The 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 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.96 percent), or one percentage point higher (3.96 percent) than the current rate.

	1% Decrease (1.96%)	Current Discount Rate (2.96%)	1% Increase (3.96%)
City's proportionate share of the net OPEB liability	\$909,796	\$729,623	\$580,998

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.

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CITY OF WAUSEON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2021**

NOTE 10 – DEBT AND OTHER LONG-TERM OBLIGATIONS

Activity in Long-Term Debt and Other Long-Term Obligations in 2021 was as follows:

Interest Rate	Purpose	Maturity Date	Balance December 31, 2020	Additions	Deductions	Balance December 31, 2021	Amount Due Within One Year
Governmental Activities Debt:							
General Obligation Bonds:							
2.0-5.0%	Street Improvement	2029	\$1,630,000	\$0	(\$1,630,000)	\$0	\$0
1.24%	Street Improvement Refunding	2029	0	1,694,000	(165,000)	1,529,000	181,000
Total General Obligation Bonds			1,630,000	1,694,000	(1,795,000)	1,529,000	181,000
Installment Loan:							
3.5%	Vacuum Truck	2024	0	366,000	(95,565)	270,435	87,013
Governmental Activities Other Long-Term Obligations:							
Compensated Absences			344,727	177,209	(175,528)	346,408	185,977
Total Governmental Activities			1,974,727	2,237,209	(2,066,093)	2,145,843	453,990
Business-Type Activities Debt:							
Ohio Water Development Authority Loans:							
3.34%	Wastewater Treatment Plant	2031	1,824,237	0	(147,704)	1,676,533	152,679
3.39%	Tedrow Water Supply Improvements	2024	61,144	0	(19,700)	41,444	20,374
Total Ohio Water Development Authority Loans			1,885,381	0	(167,404)	1,717,977	173,053
Long Term Note Payable:							
0.46%	Water Improvements	2021	245,000	0	(245,000)	0	0
General Obligation Bonds:							
1.24%	Waterworks Improvement	2025	0	206,000	0	206,000	50,000
Business-Type Activities Other Long-Term Obligations:							
Compensated Absences			190,467	88,617	(108,862)	170,222	95,900
Total Business-Type Activities			2,320,848	294,617	(521,266)	2,094,199	318,953
Total Long-Term Obligations			\$4,295,575	\$2,531,826	(\$2,587,359)	\$4,240,042	\$772,943

In August 2021 the City defeased \$1,630,000 of Street Improvement General Obligation Bonds dated May 2011, through the issuance of \$1,694,000 of General Obligation Refunding Bonds. The net proceeds of the August 2021 Bonds have been used to currently refund the May 2011 bonds. The City reduced its aggregate debt service payments over the life of the refunded bonds by \$161,368 which resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$150,447.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 10 – DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

In 2021 the City received an installment loan with TCF National Bank in the amount of \$366,000 for a 2020 Freightliner with a Vac-Con Combination Sewer Cleaner. The loan carries an interest rate of 3.50% and matures in 2024.

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

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

The Water Improvements Note Payable series 2020 matured on August 12, 2021 and were issued in anticipation of the issuance of bonds for the purpose of improving the municipal waterworks system. In 2021 the City issued \$206,000 of Water Improvement general obligation bonds. The bonds carry an interest rate of 1.24% and mature in 2025.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2021 are as follows:

Years	Governmental Activities			
	General Obligation Bonds		Installment Loans	
	Principal	Interest	Principal	Interest
2022	\$181,000	\$18,960	\$87,013	\$9,618
2023	182,000	16,716	90,108	6,524
2024	189,000	14,458	93,314	3,319
2025	190,000	12,114	0	0
2026	190,000	9,758	0	0
2027-2029	597,000	14,854	0	0
Totals	\$1,529,000	\$86,860	\$270,435	\$19,461
Business-Type Activities				
Years	General Obligation Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2022	\$50,000	\$2,554	\$173,053	\$55,823
2023	51,000	1,934	178,892	50,064
2024	52,000	1,302	163,137	44,275
2025	53,000	658	168,630	38,780
2026	0	0	174,310	33,101
2027-2031	0	0	859,955	73,391
Totals	\$206,000	\$6,448	\$1,717,977	\$295,434

The City's total debt margin was \$13,345,246 at December 31, 2021. The Ohio Revised Code provides that the net debt of a municipal corporation, when approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxable value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage.

CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 11 - RISK MANAGEMENT

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

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

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

Effective November 1, 2010 (through October 31, 2017), the corridor for losses paid was between 60% and 70% of casualty premiums earned in the first \$250,000. Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged effective November 1, 2021 and November 1, 2020. OPRM had 769 members as of December 31, 2021.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021.

Assets	\$21,777,439
Liabilities	<u>(15,037,383)</u>
Members' Equity	<u><u>\$6,740,056</u></u>

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

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CITY OF WAUSEON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2021

NOTE 11 - RISK MANAGEMENT (Continued)

The City provides medical benefits to employees. The City has established a self-insurance program to account for and finance uninsured risks of loss.

The City is a member of a group captive insurance program managed by Pareto Health. The captive is a licensed and regulated insurance company where employers, like the City, are owners of the captive insurance company. The captive consists of three different principal entities: the employers, the stop loss carrier, and the captive itself. The City, as the employer, obtains self-funded medical insurance through the captive. With self-funded coverage, the City chose Lucent Health as their third-party administrator (TPA), who monitors all claim payments, and a specific deductible of \$40,000 for each member enrolled. In 2021, the City was responsible for the first \$40,000 of catastrophic claims for each member. Any amount over this would go towards the City's stop loss policy.

Their stop loss policy includes both specific and aggregate coverage. The specific coverage helps with catastrophic coverage for large claims, and aggregate coverage helps with the accumulation of smaller claims. The aggregate stop loss policy will help the City if they have more than 125% of expected claims. In the captive, each employer receives a unique stop loss policy.

All departments of the City participate in this captive, self-funded program and make payments based on the participation and claims of the employees and their dependents.

The claims liability of \$78,781 reported at December 31, 2021 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the claims liability amount in 2020 and 2021 were as follows:

<u>Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Year End</u>
2020	\$0	\$0	\$0	\$0
2021	0	673,931	(595,150)	78,781

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

There has been no significant reduction in insurance coverages from coverages in the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

CITY OF WAUSEON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 12 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 13 – RAW WATERLINE COST SHARING AGREEMENT

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

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CITY OF WAUSEON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2021***

NOTE 14 - SIGNIFICANT COMMITMENTS

At December 31, 2021 the City had encumbrance commitments in the Governmental Funds as follows:

Fund	Encumbrances
General Fund	\$77,401
State and Local Fiscal Recovery Fund	34,178
Income Tax Capital Improvement Fund	363,923
Total Governmental Funds	\$475,502

The City had the following contractual commitments at December 31, 2021:

Project	Remaining Contractual Commitment	Expected Date of Completion
South Brunell Street Improvements	\$457,156	September 2022
Clarifier	283,500	August 2022
	\$740,656	

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE

For 2021, the City implemented Governmental Accounting Standards Board (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. The implementation of this statement had no effect on beginning of year net position/fund balance.

NOTE 16 – COVID-19

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

NOTE 17 – COMPLIANCE

Contrary to Article VIII, Section 6 of the Ohio Constitution, the City made an illegal capital contribution to purchase ownership in a private company.

CITY OF WAUSEON, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WAUSEON, OHIO

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

Ohio Public Employees Retirement System

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

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

Ohio Police and Fire Pension Fund

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

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

Notes: The City implemented GASB Statement 68 in 2015.

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

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

See accompanying notes to the required supplementary information

CITY OF WAUSEON, OHIO

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
0.014036%	0.014008%	0.014048%	0.014404%	0.014875%
\$3,187,427	\$2,197,525	\$3,847,467	\$2,847,052	\$2,202,667
\$1,814,492	\$1,851,115	\$1,897,464	\$2,026,679	\$2,100,807
175.67%	118.71%	202.77%	140.48%	104.85%
77.25%	84.66%	74.70%	82.17%	86.88%

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
0.054345%	0.058004%	0.065034%	0.071119%	0.068864%
\$3,442,162	\$3,559,993	\$5,308,493	\$4,790,976	\$4,694,493
\$1,188,754	\$1,279,061	\$1,474,274	\$1,674,605	\$1,676,804
289.56%	278.33%	360.08%	286.10%	279.97%
68.36%	70.91%	63.07%	69.89%	70.65%

CITY OF WAUSEON, OHIO

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

Ohio Public Employees Retirement System

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

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

Ohio Police and Fire Pension Fund

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

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

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

See accompanying notes to the required supplementary information

CITY OF WAUSEON, OHIO

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$217,739	\$240,645	\$265,645	\$283,735	\$294,113	\$300,906
<u>217,739</u>	<u>240,645</u>	<u>265,645</u>	<u>283,735</u>	<u>294,113</u>	<u>300,906</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,814,492	\$1,851,115	\$1,897,464	\$2,026,679	\$2,100,807	\$2,149,329
12.00%	13.00%	14.00%	14.00%	14.00%	14.00%

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$247,207	\$268,120	\$311,252	\$357,377	\$356,996	\$387,239
<u>247,207</u>	<u>268,120</u>	<u>311,252</u>	<u>357,377</u>	<u>356,996</u>	<u>387,239</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,188,754	\$1,279,061	\$1,474,274	\$1,674,605	\$1,676,804	\$1,806,418
20.80%	20.96%	21.11%	21.34%	21.29%	21.44%

CITY OF WAUSEON, OHIO

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

Ohio Public Employees Retirement System

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

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

Ohio Police and Fire Pension Fund

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

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

Notes: The City implemented GASB Statement 75 in 2018.

Information prior to 2016 is not available.

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

See accompanying notes to the required supplementary information

CITY OF WAUSEON, OHIO

<u>2020</u>	<u>2021</u>
0.014247%	0.014772%
\$1,967,886	(\$263,170)
\$2,026,679	\$2,100,807
97.10%	(12.53%)
47.80%	115.57%

<u>2020</u>	<u>2021</u>
0.071119%	0.068864%
\$702,499	\$729,623
\$1,674,605	\$1,676,804
41.95%	43.51%
47.08%	45.42%

CITY OF WAUSEON, OHIO

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

Ohio Public Employees Retirement System

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

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

Ohio Police and Fire Pension Fund

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

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

Notes: The City implemented GASB Statement 75 in 2018.

Information prior to 2013 is not available.

See accompanying notes to the required supplementary information

CITY OF WAUSEON, OHIO

2016	2017	2018	2019	2020	2021
\$36,290	\$18,511	\$0	\$0	\$0	\$0
<u>36,290</u>	<u>18,511</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,814,492	\$1,851,115	\$1,897,464	\$2,026,679	\$2,100,807	\$2,149,329
2.00%	1.00%	0.00%	0.00%	0.00%	0.00%

2016	2017	2018	2019	2020	2021
\$5,944	\$6,396	\$7,371	\$8,373	\$8,384	\$9,032
<u>5,944</u>	<u>6,396</u>	<u>7,371</u>	<u>8,373</u>	<u>8,384</u>	<u>9,032</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,188,754	\$1,279,061	\$1,474,274	\$1,674,605	\$1,676,804	\$1,806,418
0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

CITY OF WAUSEON, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2021

NET PENSION LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2021.

Changes in assumptions:

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

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

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

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

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

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

2020: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Change in COLA from 3.00% to 1.4% for post 1/7/13 retirees.

2021: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Change in COLA from 1.4% to 0.5% for post 1/7/13 retirees.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2021.

Changes in assumptions:

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

CITY OF WAUSEON, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2021

NET PENSION LIABILITY (Continued)

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

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

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

2019-2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

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CITY OF WAUSEON, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2021

NET OPEB LIABILITY (ASSET)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the periods 2018-2021.

Changes in assumptions:

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

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

- The single discount rate changed from 3.85% to 3.96%.
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%
- Change in health care cost trend rate from 7.5% to 10%
- The Municipal Bond Rate changed from 3.31% to 3.71%

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.96% to 3.16%.
- Change in health care cost trend rate from 10.0% to 10.5%
- The Municipal Bond Rate changed from 3.71% to 2.75%

2021: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.16% to 6.00%.
- Change in health care cost trend rate from 10.5% to 8.5%
- The Municipal Bond Rate changed from 2.75% to 2.00%

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms:

2018: There were no changes in benefit terms.

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

2020 - 2021: There were no changes in benefit terms.

CITY OF WAUSEON, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2021

NET OPEB LIABILITY (ASSET) (Continued)

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

Changes in assumptions:

2018: The single discount rate changed from 3.79% to 3.24%.

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

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

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 4.66% to 3.56%.

2021: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.56% to 2.96%.

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

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

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States 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 Wauseon, Fulton County, Ohio (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 8, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the City.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2021-001.

City's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio

December 8, 2022

CITY OF WAUSEON
FULTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2021

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

FINDING NUMBER 2021-001

Noncompliance Citation

Article VIII, Section 6 of the Ohio Constitution states that “[n]o laws shall be passed authorizing any county, city, town or township, by vote of its citizens, or otherwise, to become a stockholder in any joint stock company, corporation, or association whatever;... provided, that nothing in this section shall prevent the insuring of public buildings or property in mutual insurance associations or companies.” This provision prohibits joint ownership and joint ventures between public and private entities. *State ex rel. Ryan v. City Council of Gahanna*, 9 Ohio St.3d 126, 127-128, 459 N.E.2d 208 (1984); *State ex rel. Wilson v. Hance*, 169 Ohio St. 457, 457-458, 159 N.E.2d 741 (1959).

Although political subdivisions can purchase stop-loss insurance for a self-insurance program offered under ORC § 9.833, Article VIII, Section 6 and Article VIII, Section 4 of the Ohio Constitution bars a public entity from making a capital contribution to purchase an ownership interest in a private company or sharing in the profits and losses of other private members of a company.

In **1979 AG Op. No. 79-101**, the Attorney General advised that a county hospital could not make a capital contribution to a for-profit insurance company to secure malpractice insurance at a reduced premium. In **2021 AG Op. No. 2021-24**, the Attorney General advised that a joint self-insurance pool operating pursuant to ORC § 9.833 may not purchase an ownership interest in an out-of-state captive insurance pool in order to obtain stop-loss insurance.

Due to deficiencies in policies and procedures in obtaining stop loss coverage, the City of Wauseon made a capital contribution in order to become a membership interest holder of Legend Holdings, LLC, a Tennessee limited liability company, in order to reinsure its stop-loss insurance policy. This resulted in the City making an illegal capital contribution to purchase ownership in a private company.

The City should extract from membership in Legend Holdings, LLC, obtain a return of the capital contribution and purchase alternative stop loss insurance by December 31, 2023.

Officials' Response:

After several years of fully-insured rate increases and a proposed 40% renewal increase, the City and its advisors found an alternative with a self-insured captive insurance. This alternative has allowed the City to provide the same insurance coverage for its employees without continual 30% premium increases year after year. The self-insured program has given the City an option to afford health care for the employees of the City. The City Law Director will be reviewing the case law mentioned and the premium paid to the captive to find an alternative legal option to remain in an affordable insurance program.

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF WAUSEON

FULTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/27/2022

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