

CITY OF ST. MARYS

AUGLAIZE COUNTY, OHIO

REVISED SINGLE AUDIT

**FOR THE YEAR ENDED
DECEMBER 31, 2019**

OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the City of St. Marys, Auglaize County, prepared by Julian & Grube, Inc., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

August 24, 2022

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

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Independent Auditor's Report

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

To the Mayor and Members of Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matters

As discussed in Note 3B to the financial statements, during 2019, the City of St. Marys adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, additionally, the beginning net position of the governmental activities has been restated to properly classify capital assets and their effect on net position. Furthermore, as disclosed in Note 26 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City of St. Marys. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2020, on our consideration of the City of St. Marys' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of St. Marys internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
September 15, 2020

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

Financial Highlights

Key financial highlights for 2019 are as follows:

- The total net position of the City increased \$4,900,894 from 2018's restated net position. Net position of governmental activities increased \$3,022,036 or 13.62% from 2018's restated net position, and net position of business-type activities increased \$1,878,858 or 8.35% from 2018's restated net position.
- General revenues accounted for \$7,348,613 or 80.55% of total governmental activities revenue. Program specific revenues accounted for \$1,774,554 or 19.45% of total governmental activities revenue.
- The City had \$5,601,131 in expenses related to governmental activities; \$1,774,554 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$3,826,577 were offset by general revenues (primarily property taxes, income taxes, and unrestricted grants and entitlements) of \$7,348,613. The governmental activities also had transfers out totaling \$500,000.
- The City's only major governmental fund, the general fund, had revenues of \$5,392,877 in 2019. The expenditures and other financing uses of the general fund totaled \$5,637,531 in 2019. The general fund's increase in nonspendable inventory totaled \$11,459 in 2019. The net decrease in fund balance for the general fund was \$244,654 or 6.03%.
- Net position for the business-type activities, which are made up of the water, sewer, electric, and refuse (a nonmajor enterprise fund) enterprise funds, increased in 2019 by \$1,878,858.
- In the general fund, the actual revenues and other financing sources were \$81,247 more than the final budgeted amounts, and actual expenditures and other financing uses were \$563,790 less than the final budgeted amounts. These variances are the result of the City's conservative budgeting. Budgeted revenues and other financing sources for original to the final budget remained the same at \$5,246,293. Budgeted expenditures and other financing uses increased \$1,025,007 from the original to the final budget.

Using this Annual Financial Report

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City perform financially during 2019?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Governmental Activities - Most of the City's programs and services are reported here including police, fire, street and highway maintenance, capital improvements, community and economic development, and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and State grants and other shared revenues.

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

The City's statement of net position and statement of activities can be found on pages 21-23 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 12.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's only major governmental fund is the general fund. Information for major fund is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 24-28 of this report.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, electric, and refuse functions. All of the City's enterprise funds are considered major funds, with the exception of the refuse fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 30-37 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Custodial funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on pages 38-39 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 40-98 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability/asset and net OPEB liability. The required supplementary information can be found on pages 100-114 of this report.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position for 2019 compared to 2018. The net position at December 31, 2018 has been restated as described in Note 3.B in the notes to the basic financial statements.

	Net Position					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
		Restated				Restated
	2019	2018	2019	2018	2019	2018
<u>Assets</u>						
Current and other assets	\$ 12,158,638	\$ 12,510,350	\$ 13,866,131	\$ 13,383,254	\$ 26,024,769	\$ 25,893,604
Capital assets, net	<u>23,383,000</u>	<u>22,550,190</u>	<u>46,915,659</u>	<u>35,424,906</u>	<u>70,298,659</u>	<u>57,975,096</u>
Total assets	<u>35,541,638</u>	<u>35,060,540</u>	<u>60,781,790</u>	<u>48,808,160</u>	<u>96,323,428</u>	<u>83,868,700</u>
<u>Deferred outflows of resources</u>						
Pension	2,534,059	1,156,790	1,339,874	719,302	3,873,933	1,876,092
OPEB	<u>538,405</u>	<u>586,581</u>	<u>189,639</u>	<u>181,546</u>	<u>728,044</u>	<u>768,127</u>
Total deferred outflows of resources	<u>3,072,464</u>	<u>1,743,371</u>	<u>1,529,513</u>	<u>900,848</u>	<u>4,601,977</u>	<u>2,644,219</u>
<u>Liabilities</u>						
Other liabilities	438,691	246,891	1,897,912	2,440,185	2,336,603	2,687,076
Long-term liabilities:						
Due within one year	121,299	91,201	967,221	1,195,335	1,088,520	1,286,536
Net pension liability	9,390,057	6,736,250	4,324,339	2,665,296	13,714,396	9,401,546
Net OPEB liability	2,025,129	5,783,942	1,979,660	1,774,314	4,004,789	7,558,256
Other amounts	<u>275,089</u>	<u>300,862</u>	<u>28,389,044</u>	<u>18,203,314</u>	<u>28,664,133</u>	<u>18,504,176</u>
Total liabilities	<u>12,250,265</u>	<u>13,159,146</u>	<u>37,558,176</u>	<u>26,278,444</u>	<u>49,808,441</u>	<u>39,437,590</u>
<u>Deferred Inflows of Resources</u>						
Property taxes	389,971	388,493	-	-	389,971	388,493
Pension	422,087	927,619	254,425	753,020	676,512	1,680,639
OPEB	<u>338,999</u>	<u>137,909</u>	<u>124,024</u>	<u>181,724</u>	<u>463,023</u>	<u>319,633</u>
Total deferred inflows of resources	<u>1,151,057</u>	<u>1,454,021</u>	<u>378,449</u>	<u>934,744</u>	<u>1,529,506</u>	<u>2,388,765</u>
<u>Net Position</u>						
Net investment in capital assets	23,365,407	22,524,344	20,323,131	18,972,686	43,688,538	41,497,030
Restricted	4,047,081	4,301,092	-	-	4,047,081	4,301,092
Unrestricted (deficit)	<u>(2,199,708)</u>	<u>(4,634,692)</u>	<u>4,051,547</u>	<u>3,523,134</u>	<u>1,851,839</u>	<u>(1,111,558)</u>
Total net position (restated)	<u>\$ 25,212,780</u>	<u>\$ 22,190,744</u>	<u>\$ 24,374,678</u>	<u>\$ 22,495,820</u>	<u>\$ 49,587,458</u>	<u>\$ 44,686,564</u>

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

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

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

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

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2019, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49,587,458. At year end, net position was \$25,212,780 and \$24,374,678 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year end, capital assets represented 72.98% of total assets. Capital assets include land, construction in progress, easements, land improvements, buildings and improvements, equipment and furniture, vehicles, and infrastructure, and total \$23,383,000 and \$46,915,659 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's net investment in capital assets is reported net of related long-term obligations, it should be noted that the resources to repay debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$4,047,081, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position is (\$2,199,708).

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**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The table below shows the changes in net position for 2019 and 2018. The net position at December 31, 2018 has been restated as described in Note 3.B in the notes to the basic financial statements.

	Changes in Net Position					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2019	Restated 2018	2019	2018	2019	Restated 2018
Revenues						
Program revenues:						
Charges for services and sales	\$ 1,034,534	\$ 883,425	\$ 25,715,465	\$ 26,410,192	\$ 26,749,999	\$ 27,293,617
Operating grants and contributions	583,966	480,895	-	-	583,966	480,895
Capital grants and contributions	156,054	205,167	45,535	-	201,589	205,167
Total program revenues	<u>1,774,554</u>	<u>1,569,487</u>	<u>25,761,000</u>	<u>26,410,192</u>	<u>27,535,554</u>	<u>27,979,679</u>
General revenues:						
Property taxes	1,234,928	1,329,967	-	-	1,234,928	1,329,967
Income taxes	4,806,628	4,783,511	-	-	4,806,628	4,783,511
Grants and entitlements not restricted	292,457	270,355	10,891	12,088	303,348	282,443
Investment earnings	256,646	245,633	58,462	45,638	315,108	291,271
Change in fair value of investments	122,349	(15,631)	-	-	122,349	(15,631)
Miscellaneous	635,605	282,710	235,940	265,399	871,545	548,109
Total general revenues	<u>7,348,613</u>	<u>6,896,545</u>	<u>305,293</u>	<u>323,125</u>	<u>7,653,906</u>	<u>7,219,670</u>
Total revenues	<u>9,123,167</u>	<u>8,466,032</u>	<u>26,066,293</u>	<u>26,733,317</u>	<u>35,189,460</u>	<u>35,199,349</u>
Expenses						
General government	1,462,707	1,165,649	-	-	1,462,707	1,165,649
Security of persons and property	864,910	4,186,055	-	-	864,910	4,186,055
Public health and welfare	32,921	25,656	-	-	32,921	25,656
Transportation	2,455,315	2,280,058	-	-	2,455,315	2,280,058
Community environment	201,262	75,308	-	-	201,262	75,308
Leisure time activity	579,512	468,973	-	-	579,512	468,973
Interest and fiscal charges	4,504	5,453	-	-	4,504	5,453
Water	-	-	2,323,886	1,805,773	2,323,886	1,805,773
Sewer	-	-	2,439,240	2,246,176	2,439,240	2,246,176
Electric	-	-	18,907,724	20,850,779	18,907,724	20,850,779
Refuse	-	-	1,016,585	937,782	1,016,585	937,782
Total expenses	<u>5,601,131</u>	<u>8,207,152</u>	<u>24,687,435</u>	<u>25,840,510</u>	<u>30,288,566</u>	<u>34,047,662</u>
Increase (decrease) in net position before transfers and special items	3,522,036	258,880	1,378,858	892,807	4,900,894	1,151,687
Special items	-	-	-	409,988	-	409,988
Transfers	(500,000)	(334,823)	500,000	334,823	-	-
Change in net position	3,022,036	(75,943)	1,878,858	1,637,618	4,900,894	1,561,675
Net position at beginning of year (restated)	<u>22,190,744</u>	<u>22,266,687</u>	<u>22,495,820</u>	<u>20,858,202</u>	<u>44,686,564</u>	<u>43,124,889</u>
Net position at end of year	<u>\$ 25,212,780</u>	<u>\$ 22,190,744</u>	<u>\$ 24,374,678</u>	<u>\$ 22,495,820</u>	<u>\$ 49,587,458</u>	<u>\$ 44,686,564</u>

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Governmental Activities

Overall, governmental activities net position increased \$3,022,036 in 2019. Security of persons and property, which primarily supports the operations of the police and fire departments, accounted for \$864,910 of the total expenses of the City. These expenses decreased \$3,321,145 or 79.34% in 2019. This decrease is primarily the result of a significant decrease in the OP&F portion of the net OPEB liability. This decrease is the result of a new stipend-based health care model implemented by OP&F, rather than a self-funded plan. Retirees are now provided with a stipend for the employee to purchase their own insurance resulting in the net OPEB liability decrease. Security of persons and property expenses were partially funded by \$570,584 in direct charges to users of the services and \$32,406 in capital grants and contributions.

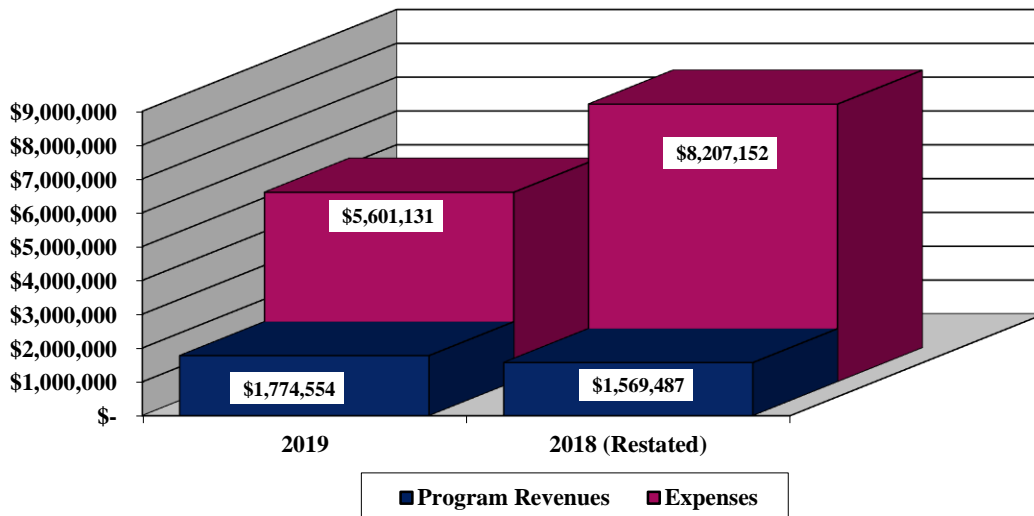
Transportation expenses totaled \$2,455,315 and were partially funded by \$38,870 in direct charges to users for the services, \$555,785 in operating grants and contributions, and \$116,734 in capital grants and contributions.

The State and federal government contributed to the City a total of \$583,966 in operating grants and contributions and \$156,054 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$555,785 subsidized transportation programs, \$21,166 subsidized community environment expenses, and \$7,015 subsidized for leisure time activity programs. Of the total capital grants and contributions, \$116,734 subsidized transportation programs, \$32,406 subsidized for security of persons and property programs, and \$6,914 subsidized leisure time activity programs.

General revenues totaled \$7,348,613 or 80.55% of total governmental activities revenues. These revenues primarily consist of property and income tax revenue of \$6,041,556. Another primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$292,457 or 3.98% of the governmental activities general revenues.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following graph and table show, for governmental activities, the total cost of services and the net cost of services for 2019 and 2018. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements, and other general revenues. The graph below illustrates the City’s dependence upon general revenues, as program revenues are not sufficient to cover total governmental expenses.

Governmental Activities - Program Revenues vs. Total Expenses



**CITY OF ST. MARYS
AUGLAIZE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

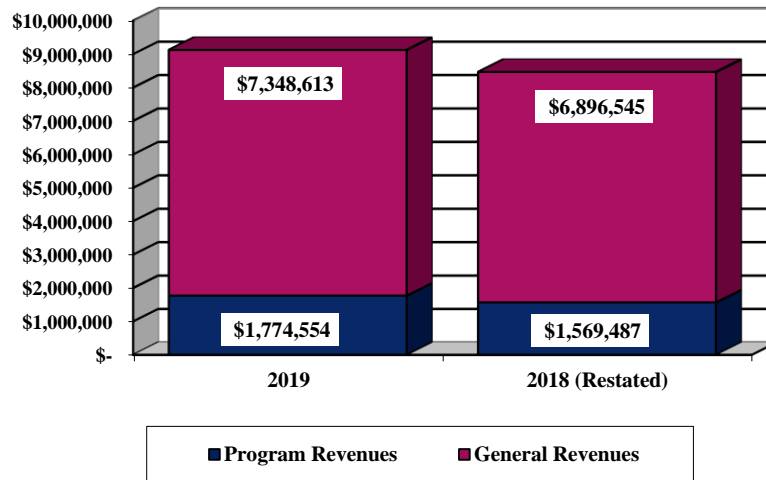
Governmental Activities

	Total Cost of Services 2019	Net Cost of Services 2019	Restated Total Cost of Services 2018	Restated Net Cost of Services 2018
Program expenses:				
General government	\$ 1,462,707	\$ 1,172,636	\$ 1,165,649	\$ 1,053,655
Security of persons and property	864,910	261,920	4,186,055	3,552,567
Public health and welfare	32,921	28,193	25,656	21,485
Transportation	2,455,315	1,743,926	2,280,058	1,714,081
Community environment	201,262	176,029	75,308	(84,617)
Leisure time activity	579,512	439,369	468,973	375,041
Interest and fiscal charges	4,504	4,504	5,453	5,453
Total expenses	\$ 5,601,131	\$ 3,826,577	\$ 8,207,152	\$ 6,637,665

The dependence upon general revenues for governmental activities is apparent, with 68.32% of expenses supported through taxes and other general revenues.

The graph below illustrates the City's program revenues versus general revenues for 2019 and 2018.

Governmental Activities - General and Program Revenues



Business-Type Activities

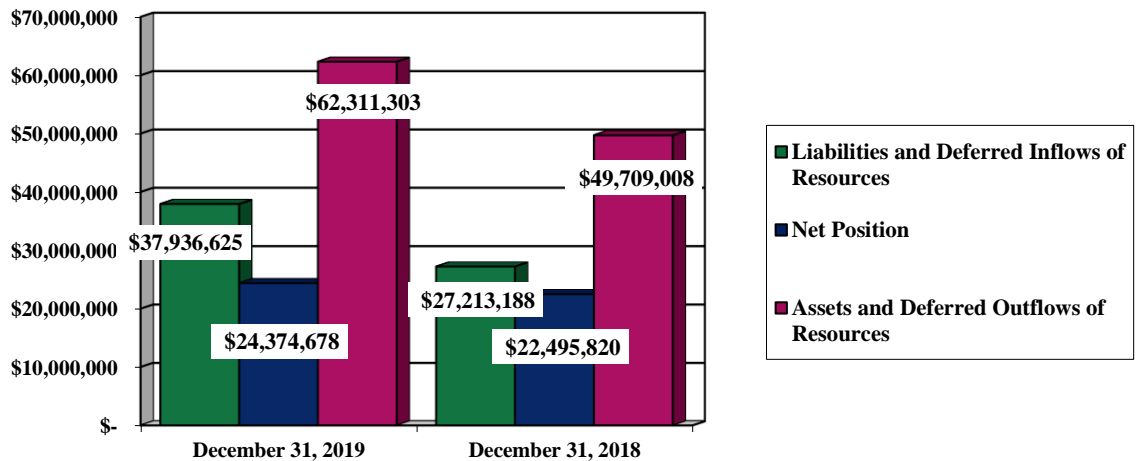
Business-type activities include the water, sewer, electric, and refuse enterprise funds. These programs had program revenues of \$25,761,000, general revenues of \$305,293, transfers in of \$500,000, and expenses of \$24,687,435 for 2019. Overall, the operating activities of all the City's enterprise funds remained comparable to the prior year.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The graph below illustrates the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position of the City’s business-type activities at December 31, 2019 and December 31, 2018.

Net Position of Business-Type Activities



Financial Analysis of the Government’s Funds

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

Governmental Funds

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

The City’s governmental funds reported a combined fund balance of \$10,160,190, which is \$676,669 less than last year’s total of \$10,836,859. The table below indicates the fund balances and the total change in fund balances as of December 31, 2019 and December 31, 2018 for all major and nonmajor governmental funds.

	Fund Balances December 31, 2019	Restated Fund Balances December 31, 2018	Change
Major fund:			
General	\$ 3,824,404	\$ 4,057,599	\$ (233,195)
Nonmajor governmental funds	6,335,786	6,779,260	(443,474)
Total	<u>\$ 10,160,190</u>	<u>\$ 10,836,859</u>	<u>\$ (676,669)</u>

General Fund

The City’s general fund balance decreased \$233,195. The table that follows assists in illustrating the revenues of the general fund for 2019 and 2018.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 Amount	Restated 2018 Amount	Percentage Change
<u>Revenues</u>			
Taxes	\$ 3,660,101	\$ 3,802,726	(3.75) %
Charges for services	723,584	647,761	11.71 %
Licenses and permits	109,129	104,479	4.45 %
Fines and forfeitures	18,743	14,833	26.36 %
Intergovernmental	278,668	256,138	8.80 %
Investment income	250,370	228,342	9.65 %
Change in fair value of investments	122,349	(15,631)	882.73 %
Rental income	59,206	112,750	(47.49) %
Contributions and donations	11,737	2,833	314.30 %
Other	<u>158,990</u>	<u>142,065</u>	<u>11.91 %</u>
Total	<u>\$ 5,392,877</u>	<u>\$ 5,296,296</u>	<u>1.82 %</u>

Overall revenues of the general fund increased \$96,581 or 1.82%. The fair value of investments increased \$137,980 or 882.73% mainly due to an increase in investment held by the City and an increase in interest rates. Charges for service increased \$75,823 or 11.71% primarily due to an increase in ambulance service charges. All other general fund revenues remained comparable to 2018.

The table that follows assists in illustrating the expenditures of the general fund for 2019 and 2018.

	2019 Amount	Restated 2018 Amount	Percentage Change
<u>Expenditures</u>			
General government	\$ 1,090,573	\$ 995,712	9.53 %
Security of persons and property	3,008,290	2,924,254	2.87 %
Public health and welfare	25,089	19,736	27.12 %
Community environment	21,584	24,444	(11.70) %
Leisure time activity	238,279	203,152	17.29 %
Capital outlay	<u>448,716</u>	<u>-</u>	<u>100.00 %</u>
Total	<u>\$ 4,832,531</u>	<u>\$ 4,167,298</u>	<u>15.96 %</u>

Overall expenditures of the general fund increased \$665,233 or 15.96%. Capital outlay expenditures increased due to the City purchasing the Betty Nelson property during 2019. All other general fund expenditures remained comparable to the prior year.

Budgeting Highlights - General Fund

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

In the general fund, the actual revenues and other financing sources were \$81,247 more than the final budgeted amounts, and actual expenditures and other financing uses were \$563,790 less than the final budgeted amounts. These variances are the result of the City's conservative budgeting. Budgeted revenues and other financing sources for original to the final budget remained the same at \$5,246,293. Budgeted expenditures and other financing uses increased \$1,025,007 from the original to the final budget.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds. The only interfund activity reported in the government-wide statements are those between business-type activities and governmental activities (reported as internal balances and transfers), whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements.

Water Fund

The water fund had operating revenues of \$2,507,650 in 2019. The operating expenses of the water fund totaled \$2,316,942 in 2019. The water fund had nonoperating revenues and expenses of \$1,329 and \$7,051, respectively, in 2019. The water fund also received \$45,535 in capital contributions in 2019. The increase in net position for the water fund was \$230,521 or 4.32%.

Sewer Fund

The sewer fund had operating revenues of \$2,904,613 in 2019. The operating expenses of the sewer fund totaled \$2,226,721 in 2019. The sewer fund had nonoperating revenues of \$1,329 and nonoperating expenses of \$212,629 in 2019. The sewer fund also received \$500,000 in transfers in during 2019. The increase in net position for the sewer fund was \$966,592 or 15.16%.

Electric Fund

The electric fund had operating revenues of \$19,574,639 in 2019. The operating expenses of the electric fund totaled \$18,608,711 in 2019. The electric fund had nonoperating revenues of \$61,144 and nonoperating expenses of \$299,163 in 2019. The increase in net position for the electric fund was \$727,909 or 7.42%.

Refuse Fund

The refuse fund (a nonmajor enterprise fund) had operating revenues of \$964,503 in 2019. The operating expenses of the refuse fund (a nonmajor enterprise fund) totaled \$1,016,857 in 2019. The refuse fund (a nonmajor enterprise fund) had nonoperating revenues of \$5,551 in 2019. The decrease in net position for the refuse fund (a nonmajor enterprise fund) was \$46,803 or 4.81%.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Capital Assets and Debt Administration

Capital Assets

At the end of 2019, the City had \$70,298,659 (net of accumulated depreciation) invested in land, construction in progress, easements, land improvements, buildings and improvements, equipment and furniture, vehicles, and infrastructure. Of this total, \$23,383,000 was reported in governmental activities and \$46,915,659 was reported in business-type activities. The following table shows December 31, 2019 balances compared to December 31, 2018.

	Governmental Activities		Business-Type Activities		Total	
	Restated				Restated	
	2019	2018	2019	2018	2019	2018
Land and easements	\$ 4,822,349	\$ 3,724,918	\$ 1,221,910	\$ 1,221,910	\$ 6,044,259	\$ 4,946,828
Construction in progress	343,207	-	15,060,635	4,704,836	15,403,842	4,704,836
Land improvements	2,608,501	2,787,989	4,095,529	2,777,982	6,704,030	5,565,971
Buildings and improvements	1,092,253	903,337	7,570,807	8,087,321	8,663,060	8,990,658
Equipment and furniture	1,312,787	1,202,101	3,823,193	2,964,302	5,135,980	4,166,403
Vehicles	1,541,254	1,709,033	1,092,496	1,317,736	2,633,750	3,026,769
Infrastructure	11,662,649	12,222,812	14,051,089	14,350,819	25,713,738	26,573,631
Total	\$ 23,383,000	\$ 22,550,190	\$ 46,915,659	\$ 35,424,906	\$ 70,298,659	\$ 57,975,096

The City's largest governmental activities capital asset category is infrastructure, which includes roads, bridges, culverts, sidewalks, curbs, annexed roadways, street lighting, and traffic signals. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 49.88% of the City's total governmental activities capital assets.

The City's largest business-type activities capital asset categories are buildings and improvements and infrastructure. The buildings and improvements asset category represents approximately 16.14% of the City's total business-type activities capital assets. Infrastructure items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 29.95% of the City's total business-type activities capital assets. Additional information on the City's capital assets can be found in Note 11.

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**CITY OF ST. MARYS
AUGLAIZE COUNTY**

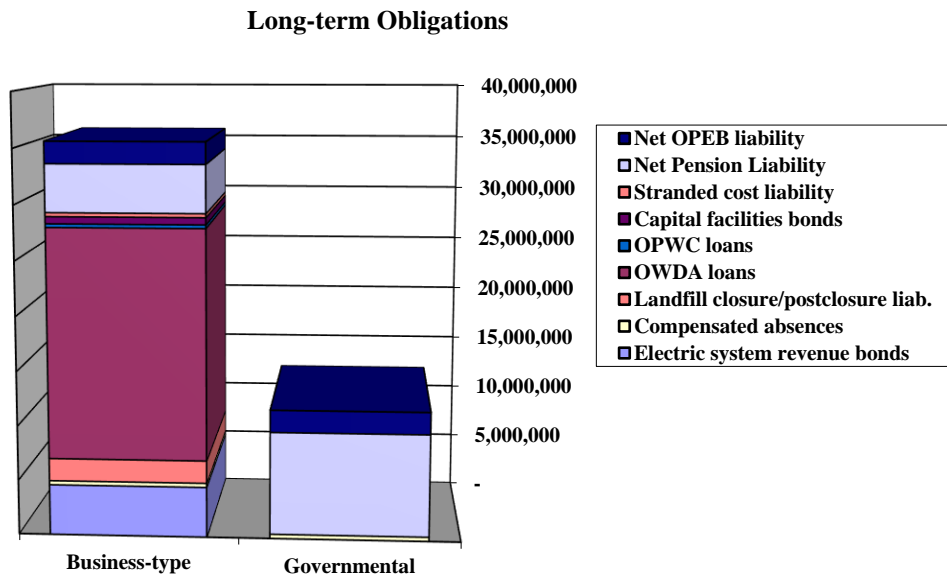
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2019 and December 31, 2018.

	Governmental Activities	
	2019	2018
Net pension liability	\$ 9,390,057	\$ 6,736,250
Net OPEB liability/asset	2,025,129	5,783,942
Compensated absences	396,388	392,063
Total long-term obligations	\$ 11,811,574	\$ 12,912,255
	Business-type Activities	
Capital facilities bonds	\$ 640,000	\$ 735,000
Stranded cost liability	350,534	537,955
OWDA loans	20,979,565	10,401,087
OPWC loans	322,869	346,074
Landfill closure/postclosure liability	2,057,693	2,211,248
Electric System Revenue Bonds	4,625,000	4,905,000
Net pension liability	4,324,339	2,665,296
Net OPEB liability	1,979,660	1,774,314
Compensated absences	380,604	262,285
Total long-term obligations	\$ 35,660,264	\$ 23,838,259

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



Additional information on the City's debt administration can be found in Note 14.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Economic Conditions and Outlook

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

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

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

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

The City has several other manufacturing facilities that add stability to the local economy. Parker Hannifin Corporation, a manufacturer of hydraulic cylinder components, employs approximately 100 employees in St. Marys. The company constructed its 130,000± square-foot St. Marys facility in 2000 and has additional acreage on site for new growth.

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

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

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

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

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

Retail growth was very strong in St. Marys in the recent past with construction of the Shoppes at St. Marys commercial development, which includes Kroger and Kohl’s as anchor tenants and three developed commercial outlets.

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

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

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

The City also continues to market several greenfield sites to potential end users. The City has a 32-acre site along McKinley Road that is in close proximity to U.S. 33. This site would be excellent for a small to medium sized operation. The City also has 19.5 acres of land along County Road 33A that is being marketed.

For the Future

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

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

The rich history of the City dates back to the early 1800’s when “canal fever” swept over Ohio. It provided the City with the opportunity to become part of a canal system highway that would run from the Miami River to Lake Erie. After completion of the canal, Grand Lake St. Marys was completed in 1845 to help maintain the water levels in the canal. Grand Lake St. Marys is now a tourist area in Ohio, providing recreational opportunities such as boating and fishing for visitors and residents alike.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The City's future promises to be even brighter than its historic past. The City is a community of approximately 8,300 residents. The people embrace a lifestyle based on strong family values. Caring for and respecting neighbors is a way of life. The police, fire, and EMS forces offer hometown security only experienced in a rural setting such as the City's. Utility services offered by the City are some of the most reliable and economical in the entire region.

Contacting the City's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

**CITY OF ST. MARYS
AUGLAIZE COUNTY**
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 8,961,111	\$ 9,925,870	\$ 18,886,981
Receivables (net of allowance for uncollectibles):			
Income taxes	786,496	-	786,496
Real and other taxes.	395,749	68,827	464,576
Accounts	134,455	2,480,652	2,615,107
Special assessments.	126,742	1,897	128,639
Loans	742,441	277,284	1,019,725
Notes	173,844	-	173,844
Accrued interest.	37,751	-	37,751
Internal balance	(4,726)	4,726	-
Due from other governments	437,175	18,228	455,403
Prepayments.	137,750	143,526	281,276
Materials and supplies inventory	209,933	454,115	664,048
Investment in joint venture	-	95,407	95,407
Net pension asset.	9,884	15,139	25,023
Restricted assets:			
Refundable cash deposits	-	380,460	380,460
Cash with fiscal agent.	10,033	-	10,033
Capital assets:			
Non-depreciable capital assets	5,165,556	16,282,545	21,448,101
Depreciable capital assets, net	18,217,444	30,633,114	48,850,558
Total capital assets, net	<u>23,383,000</u>	<u>46,915,659</u>	<u>70,298,659</u>
Total assets	<u>35,541,638</u>	<u>60,781,790</u>	<u>96,323,428</u>
Deferred outflows of resources:			
Pension.	2,534,059	1,339,874	3,873,933
OPEB.	538,405	189,639	728,044
Total deferred outflows of resources	<u>3,072,464</u>	<u>1,529,513</u>	<u>4,601,977</u>
Liabilities:			
Accounts payable	147,459	1,357,861	1,505,320
Contracts payable	17,593	25,094	42,687
Accrued wages and benefits.	95,000	73,595	168,595
Due to other governments.	85,588	46,540	132,128
Deposits payable.	33,485	-	33,485
Accrued interest payable	-	14,362	14,362
Payroll withholding payable	49,566	-	49,566
Notes payable.	10,000	-	10,000
Payable from restricted assets:			
Refundable cash deposits	-	380,460	380,460
Long-term liabilities:			
Due within one year.	121,299	967,221	1,088,520
Due in more than one year:			
Net pension liability	9,390,057	4,324,339	13,714,396
Net OPEB liability	2,025,129	1,979,660	4,004,789
Other long-term liabilities.	275,089	28,389,044	28,664,133
Total liabilities	<u>12,250,265</u>	<u>37,558,176</u>	<u>49,808,441</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	389,971	-	389,971
Pension	422,087	254,425	676,512
OPEB.	338,999	124,024	463,023
Total deferred inflows of resources	<u>1,151,057</u>	<u>378,449</u>	<u>1,529,506</u>
Net position:			
Net investment in capital assets.	23,365,407	20,323,131	43,688,538
Restricted for:			
Capital projects.	1,167,343	-	1,167,343
Debt service	67,494	-	67,494
Transportation projects.	704,933	-	704,933
Community improvements	2,097,009	-	2,097,009
Other purposes.	10,302	-	10,302
Unrestricted (deficit).	(2,199,708)	4,051,547	1,851,839
Total net position.	<u>\$ 25,212,780</u>	<u>\$ 24,374,678</u>	<u>\$ 49,587,458</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,462,707	\$ 290,071	\$ -	\$ -
Security of persons and property	864,910	570,584	-	32,406
Public health and welfare	32,921	4,728	-	-
Transportation	2,455,315	38,870	555,785	116,734
Community environment	201,262	4,067	21,166	-
Leisure time activity	579,512	126,214	7,015	6,914
Interest and fiscal charges	4,504	-	-	-
Total governmental activities	<u>5,601,131</u>	<u>1,034,534</u>	<u>583,966</u>	<u>156,054</u>
Business-type activities:				
Water	2,323,886	2,431,590	-	45,535
Sewer	2,439,240	2,862,273	-	-
Electric	18,907,724	19,469,292	-	-
Other business-type activities:				
Refuse	1,016,585	952,310	-	-
Total business-type activities	<u>24,687,435</u>	<u>25,715,465</u>	<u>-</u>	<u>45,535</u>
Total primary government	<u>\$ 30,288,566</u>	<u>\$ 26,749,999</u>	<u>\$ 583,966</u>	<u>\$ 201,589</u>

General revenues:

Property and other local taxes levied for:	
General purposes	
Special purposes	
Income taxes levied for:	
General purposes	
Special purposes	
Capital projects	
Grants and entitlements not restricted to specific programs	
Investment earnings	
Increase in fair value of investments	
Miscellaneous	
Total general revenues	
Transfers	
Total general revenues and transfers	
Change in net position	
Net position at beginning of year (restated) . . .	
Net position at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (1,172,636)	\$ -	\$ (1,172,636)
(261,920)	-	(261,920)
(28,193)	-	(28,193)
(1,743,926)	-	(1,743,926)
(176,029)	-	(176,029)
(439,369)	-	(439,369)
(4,504)	-	(4,504)
<u>(3,826,577)</u>	<u>-</u>	<u>(3,826,577)</u>
-	153,239	153,239
-	423,033	423,033
-	561,568	561,568
-	(64,275)	(64,275)
-	<u>1,073,565</u>	<u>1,073,565</u>
<u>(3,826,577)</u>	<u>1,073,565</u>	<u>(2,753,012)</u>
1,163,677	-	1,163,677
71,251	-	71,251
2,510,620	-	2,510,620
528,043	-	528,043
1,767,965	-	1,767,965
292,457	10,891	303,348
256,646	58,462	315,108
122,349	-	122,349
<u>635,605</u>	<u>235,940</u>	<u>871,545</u>
<u>7,348,613</u>	<u>305,293</u>	<u>7,653,906</u>
<u>(500,000)</u>	<u>500,000</u>	<u>-</u>
<u>6,848,613</u>	<u>805,293</u>	<u>7,653,906</u>
3,022,036	1,878,858	4,900,894
<u>22,190,744</u>	<u>22,495,820</u>	<u>44,686,564</u>
<u>\$ 25,212,780</u>	<u>\$ 24,374,678</u>	<u>\$ 49,587,458</u>

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and investments	\$ 3,600,490	\$ 5,323,998	\$ 8,924,488
Receivables:			
Income taxes	377,517	408,979	786,496
Real and other taxes.	313,931	81,818	395,749
Accounts	134,455	-	134,455
Special assessments.	-	126,742	126,742
Loans	-	742,441	742,441
Notes	-	173,844	173,844
Accrued interest.	37,751	-	37,751
Due from other funds	66,529	-	66,529
Due from other governments	145,360	291,188	436,548
Prepayments.	109,120	27,557	136,677
Materials and supplies inventory	98,293	51,948	150,241
Restricted assets:			
Cash with fiscal agent.	-	10,033	10,033
Total assets	\$ 4,883,446	\$ 7,238,548	\$ 12,121,994
Liabilities:			
Accounts payable.	\$ 96,502	\$ 37,198	\$ 133,700
Contracts payable.	-	17,593	17,593
Accrued wages and benefits payable	74,585	17,877	92,462
Interfund loans payable.	-	74,930	74,930
Due to other governments	26,561	57,405	83,966
Payroll withholding payable.	49,566	-	49,566
Deposits payable.	33,485	-	33,485
Notes payable	-	10,000	10,000
Total liabilities	280,699	215,003	495,702
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	309,199	80,772	389,971
Income tax revenue not available	217,946	236,110	454,056
Delinquent property tax revenue not available	4,732	1,046	5,778
Accrued interest not available.	16,354	-	16,354
Special assessments revenue not available	-	126,742	126,742
Intergovernmental revenue not available	106,243	237,946	344,189
Miscellaneous revenue not available.	44,901	5,143	50,044
Ambulance revenue not available	78,968	-	78,968
Total deferred inflows of resources.	778,343	687,759	1,466,102
Fund balances:			
Nonspendable	257,742	79,505	337,247
Restricted.	-	4,817,414	4,817,414
Committed	-	1,487,806	1,487,806
Assigned	571,006	-	571,006
Unassigned (deficit)	2,995,656	(48,939)	2,946,717
Total fund balances.	3,824,404	6,335,786	10,160,190
Total liabilities, deferred inflows of resources and fund balances.	\$ 4,883,446	\$ 7,238,548	\$ 12,121,994

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019

Total governmental fund balances		\$	10,160,190
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and therefore are not reported in the funds.			23,375,500
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.			
Income taxes receivable	\$	454,056	
Real and other taxes receivable		5,778	
Accounts receivable		129,012	
Special assessments receivable		126,742	
Accrued interest receivable		16,354	
Due from other governments		344,189	
Total		1,076,131	1,076,131
The internal service fund is used by management to charge the costs of the maintenance garage to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position. The net position of the internal service fund, including an internal balance of \$3,675 and (\$75,216) for total net position of the internal service fund, is:			(71,541)
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period respectively; therefore, the asset, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Net pension asset		9,379	
Deferred outflows of resources		2,487,525	
Deferred inflows of resources		(419,596)	
Net pension liability		(9,245,871)	
Total		(7,168,563)	(7,168,563)
The net OPEB liability is not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources		530,958	
Deferred inflows of resources		(338,547)	
Net OPEB liability		(1,959,121)	
Total		(1,766,710)	(1,766,710)
Long-term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.			(392,227)
Net position of governmental activities		\$	25,212,780

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Income taxes	\$ 2,497,914	\$ 2,282,242	\$ 4,780,156
Real and other taxes.	1,162,187	70,920	1,233,107
Charges for services.	723,584	81,312	804,896
Licenses and permits	109,129	-	109,129
Fines and forfeitures	18,743	3,686	22,429
Intergovernmental.	278,668	600,494	879,162
Special assessments	-	60,119	60,119
Investment income.	250,370	36,650	287,020
Increase in fair value of investments.	122,349	-	122,349
Rental income	59,206	-	59,206
Contributions and donations.	11,737	53,806	65,543
Other	158,990	440,117	599,107
Total revenues	5,392,877	3,629,346	9,022,223
Expenditures:			
Current:			
General government.	1,090,573	-	1,090,573
Security of persons and property	3,008,290	424,610	3,432,900
Public health and welfare	25,089	-	25,089
Transportation.	-	941,297	941,297
Community environment	21,584	127,192	148,776
Leisure time activity.	238,279	109,052	347,331
Capital outlay	448,716	2,791,061	3,239,777
Debt service:			
Interest and fiscal charges	-	4,504	4,504
Total expenditures	4,832,531	4,397,716	9,230,247
Excess (deficiency) of revenues over (under) expenditures.	560,346	(768,370)	(208,024)
Other financing sources (uses):			
Transfers in	-	319,202	319,202
Transfers out.	(805,000)	(14,202)	(819,202)
Total other financing sources (uses)	(805,000)	305,000	(500,000)
Net change in fund balances	(244,654)	(463,370)	(708,024)
Fund balances at beginning of year (restated).	4,057,599	6,779,260	10,836,859
Change in nonspendable inventory	11,459	19,896	31,355
Fund balances at end of year	\$ 3,824,404	\$ 6,335,786	\$ 10,160,190

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Net change in fund balances - total governmental funds \$ (708,024)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. Both amounts are exclusive of internal service fund activity.

Capital asset additions	\$	2,803,048	
Current year depreciation		<u>(1,919,575)</u>	
Total			883,473

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins and donations) is to decrease net position. (47,663)

Governmental funds report expenditures for inventory when purchased. However in the statement of activities, they are reported as an expense when consumed. 31,355

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Income taxes		26,472	
Real and other taxes		1,821	
Licenses and permits		14,416	
Charges for services		(14,412)	
Other revenue		24,761	
Special assessments		(21,249)	
Intergovernmental		74,545	
Investment income		<u>(5,410)</u>	
Total			100,944

Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports thee amounts as deferred outflows.

Pension			599,463
OPEB			10,418

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

Pension			(1,346,315)
OPEB			3,507,085

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds. (701)

The internal service fund used by management to charge the costs of the maintenance garage to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund, including internal balance activity of \$639 is allocated among the governmental activities. (7,999)

Change in net position of governmental activities \$ 3,022,036

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 2,565,739	\$ 2,565,739	\$ 2,498,236	\$ (67,503)
Real and other taxes.	1,257,615	1,257,615	1,167,657	(89,958)
Charges for services.	644,434	644,434	720,416	75,982
Licenses, permits and fees	104,065	104,065	109,129	5,064
Fines and forfeitures.	12,347	12,347	18,046	5,699
Intergovernmental.	261,863	261,863	277,928	16,065
Investment income	267,254	267,254	248,770	(18,484)
Rental income.	-	-	59,206	59,206
Contributions and donations	2,285	2,285	11,837	9,552
Other	129,691	129,691	216,143	86,452
Total revenues.	<u>5,245,293</u>	<u>5,245,293</u>	<u>5,327,368</u>	<u>82,075</u>
Expenditures:				
Current:				
General government.	1,428,667	1,936,396	1,558,715	377,681
Security of persons and property	3,274,848	3,274,849	3,059,588	215,261
Public health and welfare	24,749	35,271	31,769	3,502
Community environment	39,988	35,975	23,756	12,219
Leisure time activity.	256,152	266,920	246,793	20,127
Total expenditures.	<u>5,024,404</u>	<u>5,549,411</u>	<u>4,920,621</u>	<u>628,790</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>220,889</u>	<u>(304,118)</u>	<u>406,747</u>	<u>710,865</u>
Other financing sources (uses):				
Sale of assets	1,000	1,000	172	(828)
Transfers out	<u>(240,000)</u>	<u>(740,000)</u>	<u>(805,000)</u>	<u>(65,000)</u>
Total other financing sources (uses).	<u>(239,000)</u>	<u>(739,000)</u>	<u>(804,828)</u>	<u>(65,828)</u>
Net change in fund balance	(18,111)	(1,043,118)	(398,081)	645,037
Unencumbered fund balance at beginning of year . .	3,506,638	3,506,638	3,506,638	-
Prior year encumbrances appropriated.	<u>156,697</u>	<u>156,697</u>	<u>156,697</u>	<u>-</u>
Unencumbered fund balance at end of year	<u>\$ 3,645,224</u>	<u>\$ 2,620,217</u>	<u>\$ 3,265,254</u>	<u>\$ 645,037</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF ST. MARYS
AUGLAIZE COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric	Nonmajor Enterprise Fund
Assets:				
Current assets:				
Equity in pooled cash and investments	\$ 1,983,960	\$ 1,271,239	\$ 4,134,163	\$ 2,536,508
Real and other taxes	-	-	68,827	-
Accounts	231,424	276,354	1,888,691	84,183
Special assessments	1,408	489	-	-
Interfund loans	-	-	74,930	-
Due from other governments	5,631	3,705	5,309	3,583
Prepayments	33,425	43,292	51,908	14,901
Materials and supplies inventory	163,608	69,173	205,588	15,746
Total current assets	2,419,456	1,664,252	6,429,416	2,654,921
Noncurrent assets:				
Loans receivable	-	-	277,284	-
Net pension asset	4,685	3,142	5,063	2,249
Restricted assets:				
Refundable cash deposits	-	-	380,460	-
Investment in joint venture	-	-	95,407	-
Capital assets:				
Non-depreciable capital assets	14,764,408	463,276	751,166	303,695
Depreciable capital assets, net	4,882,741	13,576,891	11,323,780	849,702
Total capital assets, net	19,647,149	14,040,167	12,074,946	1,153,397
Total noncurrent assets	19,651,834	14,043,309	12,833,160	1,155,646
Total assets	22,071,290	15,707,561	19,262,576	3,810,567
Deferred outflows of resources:				
Pension	436,581	270,820	431,372	201,101
OPEB	72,898	34,560	52,398	29,783
Total deferred outflows of resources	509,479	305,380	483,770	230,884
Liabilities:				
Current liabilities:				
Accounts payable	31,478	30,552	1,268,698	27,133
Contracts payable	3,000	22,094	-	-
Accrued wages and benefits	25,814	15,225	22,662	9,894
Compensated absences payable	31,119	26,974	32,860	12,217
Due to other funds	-	-	66,529	-
Due to other governments	14,197	9,240	17,119	5,984
Accrued interest payable	509	509	13,344	-
Current portion of general obligation bonds payable	50,000	50,000	-	-
Revenue bonds payable	-	-	290,000	-
Current portion of OWDA loans payable	-	274,051	-	-
Current portion of AMP-Ohio stranded cost payable	-	-	200,000	-
Payable from restricted assets:				
Refundable cash deposits	-	-	380,460	-
Total current liabilities	156,117	428,645	2,291,672	55,228
Long-term liabilities:				
Compensated absences payable	86,126	75,286	85,291	30,731
General obligation bonds payable	270,000	270,000	-	-
OWDA loans payable	14,528,946	6,176,568	-	-
Revenue bonds payable	-	-	4,335,000	-
OPWC loans payable	-	322,869	-	-
AMP-Ohio stranded cost payable	-	-	150,534	-
Landfill closure/postclosure liability	-	-	-	2,057,693
Net pension liability	1,338,196	897,465	1,446,244	642,434
Net OPEB liability	612,619	410,855	662,083	294,103
Total long-term liabilities	16,835,887	8,153,043	6,679,152	3,024,961
Total liabilities	16,992,004	8,581,688	8,970,824	3,080,189
Deferred inflows of resources:				
Pension	21,120	60,124	148,902	24,279
OPEB	1,662	30,279	82,108	9,975
Total deferred inflows of resources	22,782	90,403	231,010	34,254
Net position:				
Net investment in capital assets	4,795,203	6,924,585	7,449,946	1,153,397
Unrestricted (deficit)	770,780	416,265	3,094,566	(226,389)
Total net position	\$ 5,565,983	\$ 7,340,850	\$ 10,544,512	\$ 927,008

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

Net position of business-type activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Total	Governmental Activities - Internal Service Fund
\$ 9,925,870	\$ 36,623
68,827	-
2,480,652	-
1,897	-
74,930	-
18,228	627
143,526	1,073
454,115	59,692
<u>13,168,045</u>	<u>98,015</u>
277,284	-
15,139	505
380,460	-
95,407	-
16,282,545	-
<u>30,633,114</u>	<u>7,500</u>
<u>46,915,659</u>	<u>7,500</u>
<u>47,683,949</u>	<u>8,005</u>
<u>60,851,994</u>	<u>106,020</u>
1,339,874	46,534
189,639	7,447
<u>1,529,513</u>	<u>53,981</u>
1,357,861	13,759
25,094	-
73,595	2,538
103,170	1,308
66,529	-
46,540	1,622
14,362	-
100,000	-
290,000	-
274,051	-
200,000	-
380,460	-
<u>2,931,662</u>	<u>19,227</u>
277,434	2,853
540,000	-
20,705,514	-
4,335,000	-
322,869	-
150,534	-
2,057,693	-
4,324,339	144,186
1,979,660	66,008
<u>34,693,043</u>	<u>213,047</u>
<u>37,624,705</u>	<u>232,274</u>
254,425	2,491
124,024	452
<u>378,449</u>	<u>2,943</u>
20,323,131	7,500
4,055,222	(82,716)
24,378,353	\$ (75,216)
(3,675)	
<u>\$ 24,374,678</u>	

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric	Nonmajor Enterprise Fund
Operating revenues:				
Charges for services	\$ 2,412,208	\$ 2,828,433	\$ 19,443,843	\$ 940,790
Tap-in fees.	19,382	33,840	-	-
Rental income	-	-	25,449	11,520
Other.	76,060	42,340	105,347	12,193
Total operating revenues.	<u>2,507,650</u>	<u>2,904,613</u>	<u>19,574,639</u>	<u>964,503</u>
Operating expenses:				
Personal services.	1,288,065	889,048	1,226,191	567,575
Contractual services	408,085	410,496	289,198	280,206
Materials and supplies.	307,016	70,087	16,154,065	34,255
Depreciation.	313,776	857,090	939,257	134,696
Other.	-	-	-	125
Total operating expenses.	<u>2,316,942</u>	<u>2,226,721</u>	<u>18,608,711</u>	<u>1,016,857</u>
Operating income (loss)	<u>190,708</u>	<u>677,892</u>	<u>965,928</u>	<u>(52,354)</u>
Nonoperating revenues (expenses):				
Interest and fiscal charges	(7,051)	(212,629)	(184,349)	-
Interest income	1,329	1,329	50,253	5,551
Loss on sale of assets.	-	-	(1,605)	-
Decrease in investment in joint venture . . .	-	-	(102,318)	-
Other local tax revenue.	-	-	10,891	-
Excise tax expense	-	-	(10,891)	-
Total nonoperating revenues (expenses) . . .	<u>(5,722)</u>	<u>(211,300)</u>	<u>(238,019)</u>	<u>5,551</u>
Net income (loss) before special item, transfers and capital contributions	184,986	466,592	727,909	(46,803)
Transfers in.	-	500,000	-	-
Capital contributions.	45,535	-	-	-
Change in net position	230,521	966,592	727,909	(46,803)
Net position (deficit) at beginning of year . .	<u>5,335,462</u>	<u>6,374,258</u>	<u>9,816,603</u>	<u>973,811</u>
Net position (deficit) at end of year.	<u>\$ 5,565,983</u>	<u>\$ 7,340,850</u>	<u>\$ 10,544,512</u>	<u>\$ 927,008</u>

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

Change in net position of business-type activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 25,625,274	\$ 451,997
53,222	-
36,969	-
235,940	2,281
<u>25,951,405</u>	<u>454,278</u>
3,970,879	137,768
1,387,985	180
16,565,423	320,690
2,244,819	3,000
125	-
<u>24,169,231</u>	<u>461,638</u>
<u>1,782,174</u>	<u>(7,360)</u>
(404,029)	-
58,462	-
(1,605)	-
(102,318)	-
10,891	-
(10,891)	-
<u>(449,490)</u>	<u>-</u>
1,332,684	(7,360)
500,000	-
<u>45,535</u>	<u>-</u>
1,878,219	(7,360)
	<u>(67,856)</u>
	<u>\$ (75,216)</u>
<u>639</u>	
<u>\$ 1,878,858</u>	

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			Nonmajor Enterprise Fund
	Water	Sewer	Electric	
Cash flows from operating activities:				
Cash received from charges for services	\$ 2,391,417	\$ 2,799,915	\$ 19,608,785	\$ 939,143
Cash received from tap-in fees	19,382	33,840	-	-
Cash received from rental charges	-	-	25,449	11,520
Cash received from other operations	89,404	53,175	163,442	19,224
Cash payments for personal services	(993,882)	(676,416)	(1,059,877)	(479,291)
Cash payments for contract services	(398,067)	(401,176)	(492,145)	(437,070)
Cash payments for materials and supplies	(308,524)	(94,946)	(16,443,326)	(30,701)
Cash payments for other operations	-	-	(38,495)	(125)
Net cash provided by operating activities	<u>799,730</u>	<u>1,714,392</u>	<u>1,763,833</u>	<u>22,700</u>
Cash flows from noncapital financing activities:				
Cash received from transfers in	-	500,000	-	-
Cash received from the repayment of loans to other entities	-	-	14,594	-
Cash received from the repayment of interfund loans	-	-	23,990	-
Cash received from other local taxes	-	-	10,891	-
Cash payments for excise tax expense	-	-	(10,891)	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>500,000</u>	<u>38,584</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Cash payments for the acquisition of capital assets	(11,224,455)	(708,126)	(2,176,412)	(756)
Cash received from capital contributions	45,535	-	-	-
Proceeds from OWDA loan	11,158,607	-	-	-
Cash payments for principal retirement	(93,035)	(605,299)	(280,000)	-
Cash payments for interest and fiscal charges	(7,130)	(212,707)	(185,235)	-
Net cash used in capital and related financing activities	<u>(120,478)</u>	<u>(1,526,132)</u>	<u>(2,641,647)</u>	<u>(756)</u>
Cash flows from investing activities:				
Cash received from interest earned	<u>1,329</u>	<u>1,329</u>	<u>50,253</u>	<u>5,551</u>
Net cash provided by investing activities	<u>1,329</u>	<u>1,329</u>	<u>50,253</u>	<u>5,551</u>
Net increase (decrease) in cash and investments	680,581	689,589	(788,977)	27,495
Cash and investments at beginning of year	<u>1,303,379</u>	<u>581,650</u>	<u>5,303,600</u>	<u>2,509,013</u>
Cash and investments at end of year	<u>\$ 1,983,960</u>	<u>\$ 1,271,239</u>	<u>\$ 4,514,623</u>	<u>\$ 2,536,508</u>

	Governmental Activities - Internal
Total	Service Fund
\$ 25,739,260	\$ 451,997
53,222	-
36,969	-
325,245	3,734
(3,209,466)	(99,138)
(1,728,458)	(30)
(16,877,497)	(338,014)
<u>(38,620)</u>	<u>-</u>
<u>4,300,655</u>	<u>18,549</u>
500,000	-
14,594	-
23,990	-
10,891	-
<u>(10,891)</u>	<u>-</u>
<u>538,584</u>	<u>-</u>
(14,109,749)	-
45,535	-
11,158,607	-
(978,334)	-
<u>(405,072)</u>	<u>-</u>
<u>(4,289,013)</u>	<u>-</u>
<u>58,462</u>	<u>-</u>
<u>58,462</u>	<u>-</u>
608,688	18,549
<u>9,697,642</u>	<u>18,074</u>
<u>\$ 10,306,330</u>	<u>\$ 36,623</u>

(Continued)

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Nonmajor Enterprise Fund</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 190,708	\$ 677,892	\$ 965,928	\$ (52,354)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	313,776	857,090	939,257	134,696
Changes in assets and liabilities:				
Accounts receivable.	(19,511)	(28,411)	164,734	(1,573)
Special assessments receivable.	(1,280)	(107)	-	-
Due from other governments	(5,631)	(3,705)	(5,309)	(2,867)
Real and other taxes receivable	-	-	5,421	-
Materials and supplies inventory	7,899	(21,912)	(77,967)	2,513
Prepayments	(4,221)	(6,204)	(15,570)	(210)
Net pension asset.	964	1,213	2,081	671
Deferred outflows - pension.	(204,212)	(122,052)	(205,112)	(89,196)
Deferred outflows - OPEB.	(1,911)	(2,198)	(5,742)	1,758
Accounts payable	5,266	13,061	(208,768)	(1,487)
Accrued wages and benefits	6,749	5,186	4,851	2,355
Compensated absences payable	22,330	74,816	49,437	(28,264)
Due to other governments	2,600	1,667	642	937
Due to other funds	-	-	(5,470)	-
Refundable cash deposits liability.	-	-	(1,717)	-
Net pension liability.	587,966	319,048	497,439	254,590
Net OPEB liability.	113,183	25,797	30,454	35,912
Deferred inflows - pension	(179,403)	(78,384)	(168,840)	(71,968)
Deferred inflows - OPEB.	(35,542)	1,595	(14,495)	(9,258)
Landfill closure/postclosure liability	-	-	-	(153,555)
AMP-Ohio stranded cost payable.	-	-	(187,421)	-
Net cash provided by operating activities	<u>\$ 799,730</u>	<u>\$ 1,714,392</u>	<u>\$ 1,763,833</u>	<u>\$ 22,700</u>

Non-cash transactions:

During 2019 and 2018, the water fund purchased \$3,000 and \$45,780, respectively, in capital assets on account.

During 2019 and 2018, the sewer fund purchased \$22,094 and \$3,578, respectively, in capital assets on account.

During 2018, the electric fund purchased \$348,308 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 1,782,174	\$ (7,360)
2,244,819	3,000
115,239	-
(1,387)	-
(17,512)	(627)
5,421	-
(89,467)	(29,230)
(26,205)	84
4,929	120
(620,572)	(16,916)
(8,093)	897
(191,928)	12,056
19,141	1,058
118,319	4,161
5,846	469
(5,470)	-
(1,717)	-
1,659,043	61,142
205,346	10,725
(498,595)	(17,364)
(57,700)	(3,666)
(153,555)	-
(187,421)	-
<u>\$ 4,300,655</u>	<u>\$ 18,549</u>

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

	Custodial
Assets:	
Equity in pooled cash and cash equivalents.	\$ 24,988
Receivables (net of allowances for uncollectibles):	
Income taxes	1,066,748
Total assets	1,091,736
Liabilities:	
Due to other governments	1,091,736
Total liabilities	1,091,736
Total net position	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Custodial
Additions:	
Licenses, permits and fees for other governments	\$ 237,849
Income tax collection for other governments	13,757,029
Total additions	13,994,878
Deductions:	
Licenses, permits and fees distributions to other governments .	237,849
Income tax distributions to other governments	13,757,029
Total deductions	13,994,878
Net change in fiduciary net position	-
Net position beginning of year (restated)	-
Net position end of year	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 - DESCRIPTION OF THE CITY

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

JOINT VENTURES WITH EQUITY INTEREST

Ohio Municipal Electric Generation Agency Joint Venture

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

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

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the system. Under the terms of the Agreement, each Financing Participant is to fix, charge, and collect rates, fees, and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2019, the City of St. Marys has met their debt coverage obligation.

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2019 are:

Municipality	Percent Ownership	Kw Entitlement	Municipality	Percent Ownership	Kw Entitlement
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Marys	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

AMP-Ohio Solar Project

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

The project consisted of 17,160 solar panels covering 20.74 acres. Construction started in April 2012 and the facility went online late August 2012. AMP financed the project on its revolving line of credit at \$9,600,000. The balance as of December 31, 2018 (the latest information available), including interest, is \$6,450,558. There are three (3) member project participants. Those participants are the City of Napoleon, Ohio (1,040 kW), the City of St. Marys, Ohio (2,300 kW) and the Village of Waynesfield, Ohio (200 kW).

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

INSURANCE PURCHASING POOL

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

B. Basis of Presentation

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

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

C. Fund Accounting

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

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

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

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

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

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

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

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

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

D. Measurement Focus

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

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

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

For proprietary funds, the statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

E. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On the accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance 2020 operations. This amount has been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the City, see Notes 16 and 17 for deferred inflows of resources related to the City's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

F. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than custodial funds, are legally required to be budgeted and appropriated.

Tax Budget - A budget of estimated revenues and expenditures for all funds is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year. The budget includes proposed expenditures and the means of financing for all funds. The purpose of this budget document is to reflect the need for existing or increased tax rates. The Auglaize County Auditor waived this requirement for 2019.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Estimated Resources - The County Budget Commission reviews the estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. On or before December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered fund balances from the preceding year. The certificate of estimated resources may be further amended during the year if the City Auditor determines that revenue to be collected will be greater than or less than prior revenue estimates, and the County Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the basic financial statements represent estimates from the final amended official certificate of estimated resources issued during 2019.

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

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

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding year and are not reappropriated.

G. Cash and Investments

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

Cash and investments that are held separately from the City by fiscal agents, and are not held within the City treasury, are recorded on the basic financial statements as "cash with fiscal agent".

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

The City has segregated bank accounts for monies held separate from the City's central bank accounts. The City maintains segregated depository accounts for ambulance monies and for proceeds related to the demolition of the City's power plant.

During 2019, investments were limited to Federal Home Loan Bank (FHLB) and Federal Home Loan Mortgage Corporation (FHLMC) securities, U.S. Treasury money market mutual funds, negotiable certificates of deposit, nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at fair value, except for nonnegotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices.

During 2019, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2019, 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 \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the general fund during 2019 was \$250,370 which includes \$185,129 assigned from other City funds.

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

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

H. Loans Receivable

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

I. Notes Receivable

Notes receivable represent the right to receive payment on notes issued to the Community Improvement Corporation of St. Marys (CIC). These notes are based upon written agreements between the City and the CIC. See Note 9 for further information on the City's notes receivable.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

J. Prepayments

Payments made to vendors for services that will benefit the City beyond December 31, 2019 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it is consumed.

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

K. Inventories of Materials and Supplies

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

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

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

L. Capital Assets

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

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	20 - 25 years	20 - 25 years
Buildings and improvements	20 - 25 years	25 years
Equipment and furniture	7 - 15 years	7 - 25 years
Vehicles	7 - 10 years	7 - 10 years
Infrastructure	20 - 40 years	10 - 50 years

M. Compensated Absences

Vacation leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation leave when earned for all employees with more than one year of service.

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

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. When applicable, these amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

N. Accrued Liabilities and Long-Term Obligations

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

O. Interfund Balances

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

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

P. Interfund Activity

Transfers between governmental activities and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

Q. Fund Balance

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

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

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

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

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

R. Restricted Assets

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

S. Estimates

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

T. Capital Contributions

Contributions of capital in governmental activities and proprietary fund financial statements arise from outside contributions of capital assets and tap-in fees to the extent they exceed the cost of the connection to the system, from grants or outside contributions of resources restricted to capital acquisition and construction, or from other funds within the City. Capital contributions are reported as such in the statement of activities, and as revenue in the proprietary fund financial statements. During 2019, the water fund received \$45,535 in capital contributions from Ohio Public Works Commission.

U. Net Position

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

V. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The City reported neither type of transaction during 2019.

W. Pensions/Other Postemployment Benefits (OPEB)

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

X. Fair Value Measurements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2019, the City has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations", GASB Statement No. 84, "Fiduciary Activities", GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements" and GASB Statement No. 90, "Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the City.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its fiduciary funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the City's financial statements.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the City; however, certain note disclosures in Note 14 have been modified to conform to the new requirements.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the City.

B. Restatement of Net Position and Fund Balances

The implementation of GASB Statement No. 84 had the following effect on fund balance as reported at January 1, 2019:

	General	Other Governmental Funds	Total Governmental Funds
Fund Balance as previously reported	\$ 4,008,142	\$ 6,763,927	\$ 10,772,069
GASB Statement No. 84	49,457	15,333	64,790
Restated Fund Balance, at January 1, 2019	\$ 4,057,599	\$ 6,779,260	\$ 10,836,859

A net position restatement is required in order to implement GASB Statement No. 84. Additionally, the beginning net position of the governmental activities has been restated to properly classify capital assets and their effect on net position. Net position of the governmental activities at January 1, 2019 have been restated as follow:

	Governmental Activities
Net position as previously reported	\$ 20,990,534
GASB Statement No. 84	64,790
Capital assets	1,135,420
Restated net position at January 1, 2019	\$ 22,190,744

Due to the implementation of GASB Statement No. 84, the new classification of custodial funds is reporting a beginning net position of zero. Also, related to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. At December 31, 2018, agency funds reported assets and liabilities of \$1,211,943.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Fund Balances

Fund balances at December 31, 2019 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Police pension	\$ 16,347
Fire pension	17,344
Special assessment bond retirement	15,248

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits in interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

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

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

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

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

1. Bonds of the State of Ohio; and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of Ohio, as to which there is no default of principal, interest or coupons; and,
3. Obligations of the City.

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

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

Restricted cash with fiscal agent: At year end, the City had \$10,033 on deposit with a financial institution for permissive tax monies held by Auglaize County. The data regarding insurance and collateralization can be obtained from the Auglaize County financial report for the year ended December 31, 2019. This amount is not included in "investments" below.

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

A. Deposits with Financial Institutions

At December 31, 2019, the carrying amount of all City deposits was \$10,090,273 and the bank balance of all City deposits was \$10,309,613. Of the bank balance, \$3,253,673 was covered by the FDIC, \$2,429,516 was covered by the Ohio Pooled Collateral System, and the remaining \$4,626,424 was potentially exposed to custodial credit risk.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, the City's financial institutions were collateralized at a rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

B. Investments

As of December 31, 2019, the City had the following investments and maturities:

Measurement/ Investment Type	Measurement Value	Investment Maturities				
		6 Months or Less	7 to 12 Months	13 to 18 Months	19 to 24 Months	Greater than 24 Months
<i>Fair value:</i>						
Negotiable CD's	\$ 5,708,909	\$ 712,186	\$ 503,920	\$ 503,158	\$ 2,000,502	\$ 1,989,143
FHLB	995,590	-	-	-	995,590	-
FHLMC	997,550	-	-	-	997,550	-
U.S. Treasury money market mutual funds	107	107	-	-	-	-
<i>Amortized cost:</i>						
STAR Ohio	1,500,000	1,500,000	-	-	-	-
Total	\$ 9,202,156	\$ 2,212,293	\$ 503,920	\$ 503,158	\$ 3,993,642	\$ 1,989,143

At December 31, 2019, the weighted average maturity of investments is 1.53 years.

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

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The City's investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment.

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

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

Concentration of Credit Risk: The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2019:

<u>Investment Type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Fair value:</i>		
Negotiable CD's	\$ 5,708,909	62.04
FHLB	995,590	10.82
FHLMC	997,550	10.84
U.S. Treasury money market mutual fund	107	-
<i>Amortized cost:</i>		
STAR Ohio	<u>1,500,000</u>	<u>16.30</u>
Total	<u>\$ 9,202,156</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note disclosure to cash and investments as reported on the statement of net position as of December 31, 2019:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 10,090,273
Investments	9,202,156
Restricted cash with fiscal agent	<u>10,033</u>
Total	<u>\$ 19,302,462</u>

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 8,971,144
Business-type activities	10,306,330
Custodial funds	<u>24,988</u>
Total	<u>\$ 19,302,462</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended December 31, 2019, consisted of the following, as reported on the fund financial statements:

<u>Transfers out of general fund and into:</u>	
Sewer fund	\$ 500,000
Nonmajor governmental funds	305,000
<u>Transfer out of nonmajor governmental fund and into:</u>	
Nonmajor governmental funds	<u>14,202</u>
Total	<u>\$ 819,202</u>

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

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

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

- B. Interfund loans receivable/payable consisted of the following, as reported on the fund financial statements for the year ended December 31, 2019:

<u>Interfund loans receivable in the electric fund from:</u>	
Nonmajor governmental funds	<u>\$ 74,930</u>

The interfund loans are City street improvement bonds which represent amounts borrowed from other City funds. The bonds were issued in order to finance street improvements.

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- C. Due to/from other funds consisted of the following, as reported on the fund financial statements for the year ended December 31, 2019:

Due to general fund from:

Electric fund	<u>\$ 66,529</u>
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This balance resulted from the time lag between the dates in which payments between the funds were made. Amounts due to/from other funds between governmental activities and business-type activities are reported as a component of “internal balance” on the statement of net position.

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2019 public utility property taxes became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of St. Marys. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2019 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2019 operations and the collection of delinquent taxes has been offset by a deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is considered a deferred inflow of resources.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 6 - PROPERTY TAXES - (Continued)

The full tax rate for all City operations for the year ended December 31, 2019 was \$3.32 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2019 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 98,655,120
Commercial/industrial	35,635,860
<u>Public utility</u>	
Real	27,040
Personal	<u>375,010</u>
Total assessed value	<u>\$ 134,693,030</u>

NOTE 7 - LOCAL INCOME TAX

The City levies and collects an income tax of 1.5 percent based on all income earned within the City, as well as on the income of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly.

Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

The City, by ordinance, allocated 1 percent of the income tax revenues to the general fund (0.72%), the street construction and maintenance fund (a nonmajor governmental fund) (0.18%), and the capital improvements fund (a nonmajor governmental fund) (0.10%). Starting January 1, 2016, the other 0.5 percent is allocated to the voted income tax fund (a nonmajor governmental fund). For 2019, in the fund financial statements, income tax revenue credited to the general fund, voted income tax fund (a nonmajor governmental fund), street construction and maintenance (a nonmajor governmental fund), and capital improvement (a nonmajor governmental fund) totaled \$2,497,914, \$1,465,783, \$524,866, and \$291,593, respectively.

NOTE 8 - LOANS RECEIVABLE

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

A summary of loans receivable activity in the governmental activities during 2019 follows:

	Balance			Balance
<u>Loans receivable:</u>	<u>12/31/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2019</u>
Business loans	\$ <u>767,522</u>	\$ <u>-</u>	\$ <u>(25,081)</u>	\$ <u>742,441</u>

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - LOANS RECEIVABLE - (Continued)

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

A summary of loan receivable activity in the business-type activities during 2019 follows:

	Balance			Balance
<u>Loan receivable:</u>	<u>12/31/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2019</u>
Lighting project	\$ 291,878	\$ -	\$ (14,594)	\$ 277,284

NOTE 9 - NOTES RECEIVABLE

Notes receivable represent amounts issued to the Community Improvement Corporation of St. Marys (CIC) for the improvement of storefronts within the City that are being leased to outside entities, specifically the St. Marys City School District Board of Education. The CIC is charged with collecting lease payments from the lessee in order to repay the note principal to the City. The Fort Barbee Renovation note was issued on October 1, 2010 for \$150,000, has an annual interest rate of 1.00%, and is to be repaid on a quarterly basis over a twenty year period. The 207 E. Spring Street note was issued on August 1, 2015 for \$130,000, has an annual interest rate of 1.25%, and is to be repaid on a quarterly basis over a fifteen-year period. At December 31, 2019, the amount owed to the City was \$173,844.

A summary of notes receivable activity during 2019 follows:

	Balance			Balance
<u>Notes receivable:</u>	<u>12/31/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2019</u>
Fort Barbee Renovation	\$ 91,464	\$ -	\$ (13,137)	\$ 78,327
207 E. Spring Street Property	103,782	-	(8,265)	95,517
	<u>\$ 195,246</u>	<u>\$ -</u>	<u>\$ (21,402)</u>	<u>\$ 173,844</u>

NOTE 10 - RECEIVABLES

Receivables at December 31, 2019 consisted of income taxes, real and other taxes, accounts (billings for user charged services), special assessments, loans, notes, accrued interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All intergovernmental receivables have been reported as “due from other governments” on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2019.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - RECEIVABLES - (Continued)

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

<u>Receivables:</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Income taxes	\$ 786,496	\$ -
Real and other taxes	395,749	68,827
Accounts	134,455	2,480,652
Special assessments	126,742	1,897
Loans	742,441	277,284
Notes	173,844	-
Accrued interest	37,751	-
Due from other governments	437,175	18,228
Total	<u>\$ 2,834,653</u>	<u>\$ 2,846,888</u>

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

NOTE 11 - CAPITAL ASSETS

Governmental activities capital asset activity for the year ended December 31, 2019 was as follows. Capital assets at December 31, 2018 have been restated as described in Note 3.B.

<u>Governmental activities:</u>	<u>Restated Balance 12/31/2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/2019</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,724,918	\$ 1,097,431	\$ -	\$ 4,822,349
Construction in progress	-	343,207	-	343,207
<i>Total capital assets, not being depreciated</i>	<u>3,724,918</u>	<u>1,440,638</u>	<u>-</u>	<u>5,165,556</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	5,282,365	26,136	-	5,308,501
Buildings and improvements	2,219,942	257,185	-	2,477,127
Equipment and furniture	2,657,276	354,012	-	3,011,288
Vehicles	4,765,781	159,508	(92,510)	4,832,779
Infrastructure	30,435,816	565,569	-	31,001,385
<i>Total capital assets, being depreciated</i>	<u>45,361,180</u>	<u>1,362,410</u>	<u>(92,510)</u>	<u>46,631,080</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,494,376)	(205,624)	-	(2,700,000)
Buildings and improvements	(1,316,605)	(68,269)	-	(1,384,874)
Equipment and furniture	(1,455,175)	(243,326)	-	(1,698,501)
Vehicles	(3,056,748)	(279,624)	44,847	(3,291,525)
Infrastructure	(18,213,004)	(1,125,732)	-	(19,338,736)
<i>Total accumulated depreciation</i>	<u>(26,535,908)</u>	<u>(1,922,575)</u>	<u>44,847</u>	<u>(28,413,636)</u>
Total capital assets, net	<u>\$ 22,550,190</u>	<u>\$ 880,473</u>	<u>\$ (47,663)</u>	<u>\$ 23,383,000</u>

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 - CAPITAL ASSETS - (Continued)

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

<u>Governmental activities:</u>	<u>Depreciation Expense</u>
General government	\$ 48,307
Security of persons and property	358,576
Public health and welfare	5,657
Transportation	1,295,716
Community environment	49,588
Leisure time activity	161,731
Capital assets held by the internal service fund are charged to various functions based upon their usage of the capital assets	<u>3,000</u>
Total depreciation expense	<u>\$ 1,922,575</u>

Business-type activities capital asset activity for the year ended December 31, 2019 was as follows:

<u>Business-type activities:</u>	<u>Balance 12/31/2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/2019</u>
<i>Capital assets, not being depreciated:</i>				
Land and easements	\$ 1,221,910	\$ -	\$ -	\$ 1,221,910
Construction in progress	<u>4,704,836</u>	<u>11,458,392</u>	<u>(1,102,593)</u>	<u>15,060,635</u>
<i>Total capital assets, not being depreciated</i>	<u>5,926,746</u>	<u>11,458,392</u>	<u>(1,102,593)</u>	<u>16,282,545</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	7,899,287	1,602,049	-	9,501,336
Buildings and improvements	16,948,177	-	-	16,948,177
Equipment and furniture	13,668,135	1,308,576	(28,674)	14,948,037
Vehicles	4,025,824	-	(133,418)	3,892,406
Infrastructure	<u>27,497,129</u>	<u>470,753</u>	<u>-</u>	<u>27,967,882</u>
<i>Total capital assets, being depreciated</i>	<u>70,038,552</u>	<u>3,381,378</u>	<u>(162,092)</u>	<u>73,257,838</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(5,121,305)	(284,502)	-	(5,405,807)
Buildings and improvements	(8,860,856)	(516,514)	-	(9,377,370)
Equipment and furniture	(10,703,833)	(448,080)	27,069	(11,124,844)
Vehicles	(2,708,088)	(225,240)	133,418	(2,799,910)
Infrastructure	<u>(13,146,310)</u>	<u>(770,483)</u>	<u>-</u>	<u>(13,916,793)</u>
<i>Total accumulated depreciation</i>	<u>(40,540,392)</u>	<u>(2,244,819)</u>	<u>160,487</u>	<u>(42,624,724)</u>
Total capital assets, net	<u>\$ 35,424,906</u>	<u>\$ 12,594,951</u>	<u>\$ (1,104,198)</u>	<u>\$ 46,915,659</u>

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 - CAPITAL ASSETS - (Continued)

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

<u>Business-type activities:</u>	<u>Depreciation Expense</u>
Water fund	\$ 313,776
Sewer fund	857,090
Electric fund	939,257
Nonmajor enterprise fund	<u>134,696</u>
Total depreciation expense	<u>\$ 2,244,819</u>

NOTE 12 - COMPENSATED ABSENCES

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

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

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

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

NOTE 13 - NOTES PAYABLE

The City had the following note activity during 2019:

	<u>Balance 12/31/2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2019</u>
<u>Governmental activities:</u>				
Special assessment notes, 2018	\$ 14,000	\$ -	\$ (14,000)	\$ -
Special assessment notes, 2019	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
	<u>\$ 14,000</u>	<u>\$ 10,000</u>	<u>\$ (14,000)</u>	<u>\$ 10,000</u>

On October 24, 2018, the City entered into special assessment notes in the amount of \$14,000 to finance the 2017 West Spring Street Reconstruction Project. The notes carry an interest rate of 2.89% and matured on October 24, 2019.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 13 - NOTES PAYABLE - (Continued)

On August 28, 2019, the City entered into special assessment notes in the amount of \$10,000 to finance the 2019 Street Program projects. The notes carry an interest rate of 2.89% and mature on August 28, 2020. A fund liability is reported in the fund which received the proceeds, which is the special assessment improvement capital projects fund.

NOTE 14 - LONG-TERM OBLIGATIONS

Governmental activities changes in long-term obligations for the year ended December 31, 2019 were as follows:

<u>Governmental activities:</u>	Balance <u>12/31/2018</u>	Additions	Retirements	Balance <u>12/31/20189</u>	Amount Due Within <u>One Year</u>
<u>Long-term obligations</u>					
Net pension liability	\$ 6,736,250	\$ 2,653,807	\$ -	\$ 9,390,057	\$ -
Net OPEB liability	5,783,942	168,505	(3,927,318)	2,025,129	-
Compensated absences payable	<u>392,063</u>	<u>95,526</u>	<u>(91,201)</u>	<u>396,388</u>	<u>121,299</u>
Total long-term obligations	<u>\$ 12,912,255</u>	<u>\$ 2,917,838</u>	<u>\$ (4,018,519)</u>	<u>\$ 11,811,574</u>	<u>\$ 121,299</u>

Business-type activities changes in long-term obligations for the year ended December 31, 2019 were as follows:

<u>Business-type activities:</u>	Interest <u>Rate</u>	Balance <u>12/31/2018</u>	Additions	Retirements	Balance <u>12/31/2019</u>	Amount Due Within <u>One Year</u>
<u>Capital Improvement Bonds</u>						
Capital Improvement Bonds, Series 2016	1.94%	\$ 735,000	\$ -	\$ (95,000)	\$ 640,000	\$ 100,000
<u>Revenue bonds</u>						
Electric system, series 2018	3.52%	4,905,000	-	(280,000)	4,625,000	290,000
<u>OWDA loans (direct borrowing)</u>						
Water treatment plant planning and improvements	1.65%	3,415,874	11,158,607	(45,535)	14,528,946	-
Wastewater treatment plant	3.36%	<u>6,985,213</u>	<u>-</u>	<u>(534,594)</u>	<u>6,450,619</u>	<u>274,051</u>
Total OWDA loans		<u>10,401,087</u>	<u>11,158,607</u>	<u>(580,129)</u>	<u>20,979,565</u>	<u>274,051</u>
<u>OPWC loans (direct borrowing)</u>						
Sanitary sewer rehabilitation	0.00%	143,574	-	(8,205)	135,369	-
Spring Street sanitary lift rehabilitation	0.00%	<u>202,500</u>	<u>-</u>	<u>(15,000)</u>	<u>187,500</u>	<u>-</u>
Total OPWC loans		<u>346,074</u>	<u>-</u>	<u>(23,205)</u>	<u>322,869</u>	<u>-</u>
<u>Other long-term obligations</u>						
Compensated absences payable		262,285	180,857	(62,538)	380,604	103,170
Net pension liability		2,665,296	1,659,043	-	4,324,339	-
Net OPEB liability		1,774,314	205,346	-	1,979,660	-
AMP-Ohio stranded cost payable		537,955	12,579	(200,000)	350,534	200,000
Landfill closure/postclosure liability		<u>2,211,248</u>	<u>-</u>	<u>(153,555)</u>	<u>2,057,693</u>	<u>-</u>
Total other long-term obligations		<u>7,451,098</u>	<u>2,057,825</u>	<u>(416,093)</u>	<u>9,092,830</u>	<u>303,170</u>
Total long-term obligations		<u>\$ 23,838,259</u>	<u>\$ 13,216,432</u>	<u>\$ (1,394,427)</u>	<u>\$ 35,660,264</u>	<u>\$ 967,221</u>

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

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

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

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

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

OWDA Loans - The City has pledged future sewer revenues to repay an Ohio Water Development Authority (OWDA) loan related to the construction of a new wastewater treatment plant. The loan is payable solely from sewer fund revenues and is payable through 2030 at an interest rate of 3.36%. Annual principal and interest payments on the loan are expected to require 48.18% of net revenues and 25.48% of total revenues. The total principal and interest remaining to be paid on the loan is \$7,520,093. Principal and interest paid for the current year was \$740,173. Total net revenues were \$1,536,311, and total revenues were \$2,904,613. The loan is supported by the full faith and credit of the City.

During 2016, the City entered into another OWDA loan agreement for the purpose of financing construction costs for the planning phase of the City's water treatment plant improvements. The City received an additional \$11,158,607 in loan proceeds during 2019 for the water treatment plant improvements. The loan carries an interest rate of 1.65% and had an outstanding balance of \$14,528,946 at December 31, 2019. As the loan is still open, an amortization schedule was not available at December 31, 2019.

OWDA loans are direct borrowings that have terms negotiated directly between the City and the OWDA and are not offered for public sale. In the event of default, the OWDA may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

OPWC Loans - The City has entered into debt financing arrangements through the Ohio Public Works Commission (OPWC) to fund a sanitary lift rehabilitation project and a sanitary sewer rehabilitation project. The payments due to the OPWC are made from the City's sewer fund. The loan agreements function similar to a line-of-credit agreement. At December 31, 2019, the City had outstanding OPWC loan borrowings of \$322,869 in the sewer fund. The loan agreement requires semi-annual payments based on the actual amount loaned. The OPWC loans are interest free and are payable through 2033 and 2037, respectively.

OPWC loans are direct borrowings that have terms negotiated directly between the County and the OPWC and are not offered for public sale. In the event of default, the OPWC may (1) charge an 8% default interest rate from the date of the default to the date of the payment and charge the County for all costs incurred by the OPWC in curing the default, (2) in accordance with Ohio Revised Code 164.05, direct the county treasurer of the county in which the County is located to pay the amount of the default from funds that would otherwise be appropriated to the County from such county's undivided local government fund pursuant to ORC 5747.51-5747.53, or (3) at its discretion, declare the entire principal amount of loan then remaining unpaid, together with all accrued interest and other charges, become immediately due and payable.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

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

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

Consistent with prior years, the City continues to record a long-term obligation for its portion of the stranded costs related to the AMPGS Project. The City's estimated share of the impaired costs at March 31, 2014 was determined to be \$3,642,633. The City received a credit of \$757,070 related to its participation in the AMP Fremont Energy Center Project (the "AFEC Project"), and another credit of \$949,722 related to AMPGS Project costs deemed to have a future benefit for the City (both credits act as a reduction to the City's long-term obligation for stranded costs, including \$915,535 of the latter credit reported as a special item in the electric fund in a prior year). As of December 31, 2019, the City has made total payments of \$1,703,464 on the AMPGS Project liability, \$200,000 of which occurred during 2019. The City was also responsible for various costs related to the AMPGS Project incurred during 2019 in the amount of \$12,579, which increased the City's long-term obligation. The net effect of these transactions is a December 31, 2019 impaired cost estimate of \$350,534, which is reported as "AMP-Ohio stranded cost payable" in the City's electric fund.

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

In 2011, when the AMPGS Project was determined to be abandoned, the City recognized the total estimated costs established at that time as a current operating expense through the contractual services line item. The City thus elected in 2011 to finance this long-term obligation through existing resources in the electric fund, a plan that is still in place as of December 31, 2019.

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

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

Year Ending December 31,	<u>AMPGS Project Liability</u>	
	<u>Payment</u>	
2020	\$	200,000
2021		150,534
Total	\$	350,534

Future Debt Service Requirements - At December 31, 2019, the principal and interest requirements to retire the business-type activities long-term obligations are as follows:

<u>Year Ended</u>	<u>Capital Improvement Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 100,000	\$ 12,416	\$ 112,416
2021	100,000	10,476	110,476
2022	105,000	8,536	113,536
2023	110,000	6,499	116,499
2024	110,000	4,365	114,365
2025	115,000	2,231	117,231
Total	\$ 640,000	\$ 44,523	\$ 684,523

<u>Year Ended</u>	<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 290,000	\$ 162,800	\$ 452,800
2021	300,000	152,592	452,592
2022	315,000	142,032	457,032
2023	320,000	130,944	450,944
2024	330,000	119,680	449,680
2025-2029	1,825,000	415,888	2,240,888
2030-2032	1,245,000	88,704	1,333,704
Total	\$ 4,625,000	\$ 1,212,640	\$ 5,837,640

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

Year Ended	OPWC Loans (direct borrowing)			OWDA Loan (direct borrowing)		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ -	\$ -	\$ -	\$ 274,051	\$ 96,759	\$ 370,810
2021	23,204	-	23,204	561,992	181,118	743,110
2022	23,204	-	23,204	581,033	164,116	745,149
2023	23,204	-	23,204	600,720	146,538	747,258
2024	23,204	-	23,204	621,074	128,365	749,439
2025 - 2029	116,021	-	116,021	3,435,646	346,936	3,782,582
2030 - 2034	93,521	-	93,521	376,103	5,642	381,745
2035 - 2037	20,511	-	20,511	-	-	-
Total	\$ 322,869	\$ -	\$ 322,869	\$ 6,450,619	\$ 1,069,474	\$ 7,520,093

Legal Debt Margins - At December 31, 2019, the City had a legal voted debt margin of \$14,142,768 and a legal unvoted debt margin of \$7,408,117.

NOTE 15 - RISK MANAGEMENT

A. Property and Liability

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

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General Liability	\$ 6,000,000	\$ 0
Law Enforcement Liability	6,000,000	5,000
Malicious Act General Aggregate Limit	1,000,000	0
Public Officials Liability	6,000,000	various
Employers Liability	6,000,000	0
Employee Benefits Liability	6,000,000	0
Automobile Coverage	6,000,000	1,000
Blanket Building and Personal Property	99,943,972	various
Specific Building and Personal Property	4,320,355	various
Equipment Breakdown	104,264,327	various
Inland Marine	5,370,111	1,000
CyberRisk Aggregate	1,000,000	0
Crime Coverage	700,000	various
Terrorism Property	100,000,000	25,000
Terrorism Liability	6,000,000	10,000
Storage Tank Third-Party Liability	1,000,000	5,000

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 15 - RISK MANAGEMENT - (Continued)

B. Employee Medical Benefits

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

The monthly premiums for the PPO plan during the periods of January 1, 2019 through December 31, 2019 were \$785.22 for single coverage, \$1,334.85 for employee/children, \$1,648.93 for employee/spouse, and \$2,316.35 for family coverage. The employee share is 20% of the premium amount. The PPO plan has an in-network deductible of \$1,000 per year for single coverage and \$3,000 per year for all other levels of coverage. Maximum out-of-pocket limits for the PPO plan are equal to the in-network deductibles, \$1,000 per year for single coverage and \$3,000 per year for all other levels of coverage. The PPO plan has no limit on maximum lifetime coverage.

The monthly premiums for the HSA plan during the periods of January 1, 2019 through December 31, 2019 were \$835.66 for single coverage, \$1,420.98 for employee/children, \$1,755.44 for employee/spouse, and \$2,466.16 for family coverage. The employee share was 10% of the premium amount. The HSA plan has an in-network deductible of \$1,500 for single coverage and \$3,000 for all other levels of coverage. Maximum out-of-pocket limits for the HSA plan are equal to the in-network deductibles, \$1,500 per year for single coverage and \$3,000 per year for all other levels of coverage. The HSA plan has no limit on maximum lifetime coverage.

C. Workers' Compensation

For 2019, the City participated in the Ohio Municipal League Workers' Compensation Group Retrospective Rating Plan (the "Plan"), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

The net pension liability/asset reported on the statement of net position represents a liability or asset 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.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

The net pension liability/asset 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/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB 68 assumes any net pension liability/asset 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/asset on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual basis 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 Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension 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 Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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
Traditional Plan 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	Traditional Plan 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	Traditional Plan 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
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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

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

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

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

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 1.00% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3.00% COLA adjustment on the defined benefit portion of their benefit.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance

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

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

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$527,929 for 2019. Of this amount, \$63,653 is reported as due to other governments.

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit.

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

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

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

	<u>Police</u>	<u>Firefighters</u>
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2019 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$401,579 for 2019. Of this amount, \$55,886 is reported as due to other governments.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2018, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

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

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.027752%	0.024008%	0.002772%	0.082245%	
Proportion of the net pension liability/asset current measurement date	<u>0.026098%</u>	<u>0.022306%</u>	<u>0.003518%</u>	<u>0.080448%</u>	
Change in proportionate share	<u>-0.001654%</u>	<u>-0.001702%</u>	<u>0.000746%</u>	<u>-0.001797%</u>	
Proportionate share of the net pension liability	\$ 7,147,713	\$ -	\$ -	\$ 6,566,683	\$ 13,714,396
Proportionate share of the net pension asset	-	(24,943)	(80)	-	(25,023)
Pension expense	1,477,163	6,922	(21)	764,082	2,248,146

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**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Deferred outflows of resources					
Differences between expected and actual experience	\$ 328	\$ -	\$ 331	\$ 269,798	\$ 270,457
Net difference between projected and actual earnings on pension plan investments	970,145	5,374	27	809,011	1,784,557
Changes of assumptions	622,225	5,571	25	174,092	801,913
Changes in employer's proportionate percentage/difference between employer contributions	77,128	-	-	10,370	87,498
Contributions subsequent to the measurement date	507,957	14,101	5,871	401,579	929,508
Total deferred outflows of resources	<u>\$ 2,177,783</u>	<u>\$ 25,046</u>	<u>\$ 6,254</u>	<u>\$ 1,664,850</u>	<u>\$ 3,873,933</u>
Deferred inflows of resources					
Differences between expected and actual experience	\$ 93,855	\$ 10,184	\$ -	\$ 6,132	\$ 110,171
Changes in employer's proportionate percentage/difference between employer contributions	244,874	-	-	321,467	566,341
Total deferred inflows of resources	<u>\$ 338,729</u>	<u>\$ 10,184</u>	<u>\$ -</u>	<u>\$ 327,599</u>	<u>\$ 676,512</u>

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

\$929,508 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2020.

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

Year Ending December 31:	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
2020	\$ 567,190	\$ 842	\$ 55	\$ 278,984	\$ 847,071
2021	222,721	(229)	52	101,870	324,414
2022	90,001	(119)	54	189,063	278,999
2023	451,185	1,563	61	347,193	800,002
2024	-	(640)	43	18,562	17,965
Thereafter	-	(656)	118	-	(538)
Total	\$ 1,331,097	\$ 761	\$ 383	\$ 935,672	\$ 2,267,913

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return	
Current measurement date	7.20%
Prior measurement date	7.50%
Actuarial cost method	Individual entry age

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 2.94% for 2018.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	23.00 %	2.79 %
Domestic equities	19.00	6.21
Real estate	10.00	4.90
Private equity	10.00	10.81
International equities	20.00	7.83
Other investments	18.00	5.50
Total	<u>100.00 %</u>	<u>5.95 %</u>

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 10,559,251	\$ 7,147,713	\$ 4,312,695
Combined Plan	(8,253)	(24,943)	(37,028)
Member-Directed Plan	(35)	(80)	(141)

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2018, are presented below.

Valuation date	1/1/18 with actuarial liabilities rolled forward to 12/31/18
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25%
Inflation assumptions	2.75%, plus productivity increase rate of 0.50%
Cost of living adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

**CITY OF ST. MARYS
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

The most recent experience study was completed for the five-year period ended December 31, 2016. The recommended assumption changes based on this experience study were adopted by OP&F's Board and were effective beginning with the January 1, 2018 actuarial valuation.

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

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**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Asset Class	Target Allocation	10 Year Expected Real Rate of Return **	30 Year Expected Real Rate of Return **
Cash and Cash Equivalents	- %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-US Equity	16.00	6.10	5.90
Private Markets	8.00	8.40	8.40
Core Fixed Income *	23.00	2.20	2.60
High Yield Fixed Income	7.00	4.20	4.80
Private Credit	5.00	8.30	7.50
U.S. Inflation			
Linked Bonds *	17.00	1.30	2.30
Master Limited Partnerships	8.00	6.70	6.40
Real Assets	8.00	7.00	7.00
Private Real Estate	12.00	5.70	6.10
Total	120.00 %		

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

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

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

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 8,631,452	\$ 6,566,683	\$ 4,841,270

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 17 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

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

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

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.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care was 0.00% for the Traditional and Combined plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.00%.

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

The City's contractually required contribution was \$2,348 for 2019. Of this amount, \$283 is reported as due to other governments.

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

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

Beginning January 1, 2019, OP&F changed its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The City's contractually required contribution to OP&F was \$9,538 for 2019. Of this amount, \$1,327 is reported as due to other governments.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.026690%	0.082245%	
Proportion of the net OPEB liability current measurement date	<u>0.025098%</u>	<u>0.080448%</u>	
Change in proportionate share	<u>-0.001592%</u>	<u>-0.001797%</u>	
Proportionate share of the net OPEB liability	\$ 3,272,187	\$ 732,602	\$ 4,004,789
OPEB expense	\$ 261,161	\$ (3,619,269)	\$ (3,358,108)

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 1,107	\$ -	\$ 1,107
Net difference between projected and actual earnings on OPEB plan investments	150,011	24,800	174,811
Changes of assumptions	105,497	379,746	485,243
Changes in employer's proportionate percentage/ difference between employer contributions	51,602	3,395	54,997
Contributions subsequent to the measurement date	2,348	9,538	11,886
Total deferred outflows of resources	<u>\$ 310,565</u>	<u>\$ 417,479</u>	<u>\$ 728,044</u>

**CITY OF ST. MARYS
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 8,878	\$ 19,628	\$ 28,506
Changes of assumptions	-	202,819	202,819
Changes in employer's proportionate percentage/ difference between employer contributions	151,823	79,875	231,698
Total deferred inflows of resources	<u>\$ 160,701</u>	<u>\$ 302,322</u>	<u>\$ 463,023</u>

\$11,886 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020.

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2020	\$ 76,026	\$ 19,919	\$ 95,945
2021	(26,995)	19,919	(7,076)
2022	22,916	19,920	42,836
2023	75,569	27,420	102,989
2024	-	15,597	15,597
Thereafter	-	2,844	2,844
Total	<u>\$ 147,516</u>	<u>\$ 105,619</u>	<u>\$ 253,135</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.

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	3.96%
Prior Measurement date	3.85%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.50%
Municipal Bond Rate	
Current measurement date	3.71%
Prior Measurement date	3.31%
Health Care Cost Trend Rate	
Current measurement date	10.00% initial, 3.25% ultimate in 2029
Prior Measurement date	7.50%, initial 3.25%, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

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

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

Discount Rate - A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability	\$ 4,186,346	\$ 3,272,187	\$ 2,545,188

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 3,145,281	\$ 3,272,187	\$ 3,418,348

Actuarial Assumptions - OP&F

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

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%
Single discount rate:	
Current measurement date	4.66%
Prior measurement date	3.24%
Cost of Living Adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

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

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

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

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

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Asset Class	Target Allocation	10 Year Expected Real Rate of Return **	30 Year Expected Real Rate of Return **
Cash and Cash Equivalents	- %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-US Equity	16.00	6.10	5.90
Private Markets	8.00	8.40	8.40
Core Fixed Income *	23.00	2.20	2.60
High Yield Fixed Income	7.00	4.20	4.80
Private Credit	5.00	8.30	7.50
U.S. Inflation			
Linked Bonds *	17.00	1.30	2.30
Master Limited Partnerships	8.00	6.70	6.40
Real Assets	8.00	7.00	7.00
Private Real Estate	12.00	5.70	6.10
Total	120.00 %		

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total OPEB liability was calculated using the discount rate of 4.66%. A discount rate of 3.24% was used to measure the total OPEB liability at December 31, 2017. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13% at December 31, 2018 and 3.16% at December 31, 2017, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 4.66%.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate -

Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66%), or one percentage point higher (5.66%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 892,510	\$ 732,602	\$ 598,374

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

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

Net Change in Fund Balance	
	<u>General fund</u>
Budget basis	\$ (398,081)
Net adjustment for revenue accruals	65,509
Net adjustment for expenditure accruals	(47,318)
Net adjustment for other sources/uses	(172)
Funds budgeted elsewhere	(3,455)
Adjustment for encumbrances	<u>138,863</u>
GAAP basis	<u>\$ (244,654)</u>

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

NOTE 19 - RESTRICTED ASSETS

Refundable electric customer deposits at December 31, 2019 in the amount of \$380,460 are presented as restricted assets (refundable cash deposits) on the proprietary fund statement of net position in the electric fund, and in the business-type activities column of the statement of net position. The City also has permissive tax monies on deposit with Auglaize County at December 31, 2019 in the amount of \$10,033 presented as restricted assets (cash with fiscal agent) on the governmental fund balance sheet in the motor vehicle permissive tax fund (a nonmajor governmental fund), and in the governmental activities column of the statement of net position.

NOTE 20 - LANDFILL CLOSURE/POSTCLOSURE COSTS

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure costs will be paid only near or after the date the landfill stops accepting waste, the City reports a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of each year end.

The City is in the process of closing the landfill. The landfill closure and postclosure liability of \$2,057,693 at December 31, 2019 represents the cumulative amount for closure and postclosure care. The amounts are based on what it would cost to perform all closure and postclosure care in 2019. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by State and federal laws and regulations to provide assurances that financial resources will be available to provide for postclosure care and remediation or containment of environmental hazards at the landfill.

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 21 - CONTRACTUAL COMMITMENTS

At December 31, 2019, the City had the following contractual commitments:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Contract Balance</u>
Bruns/RCS Construction	\$ 997,528	\$ -	\$ 997,528
Poggermeyer Design Group	15,000	(7,358)	7,642
Auglaize/ Mercer Land Title	37,783	(37,383)	400
Moody Nolan	49,800	(37,733)	12,067
Strand Associates	17,500	(8,040)	9,460
Kohli & Kaliher Associates	245,513	(205,980)	39,533
Garmann-Miller	44,750	(4,500)	40,250
Brandstetter Carroll	35,000	(21,420)	13,580
Arcadis	471,000	(234,200)	236,800
Dixon Engineering	43,000	-	43,000
Total contractual commitments	<u>\$ 1,956,874</u>	<u>\$ (556,614)</u>	<u>\$ 1,400,260</u>

NOTE 22 - CONTINGENCIES

A. Grants

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

B. Litigation

The City is not currently a party to any legal proceedings that would have a materially adverse effect on the financial statements at December 31, 2019.

NOTE 23 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year End Encumbrances</u>
General fund	\$ 124,718
Nonmajor governmental funds	<u>2,393,320</u>
Total	<u>\$ 2,518,038</u>

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 24 - FUND BALANCE

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

<u>Fund Balance</u>	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepayments	\$ 109,120	\$ 27,557	\$ 136,677
Materials and supplies inventory	98,293	51,948	150,241
Unclaimed monies	<u>50,329</u>	<u>-</u>	<u>50,329</u>
Total nonspendable	<u>257,742</u>	<u>79,505</u>	<u>337,247</u>
Restricted:			
Capital projects	-	1,317,784	1,317,784
Transportation projects	-	1,392,319	1,392,319
Community improvements	-	2,097,009	2,097,009
Other purposes	<u>-</u>	<u>10,302</u>	<u>10,302</u>
Total restricted	<u>-</u>	<u>4,817,414</u>	<u>4,817,414</u>
Committed:			
Capital projects	-	1,432,925	1,432,925
Leisure time activity	<u>-</u>	<u>54,881</u>	<u>54,881</u>
Total committed	<u>-</u>	<u>1,487,806</u>	<u>1,487,806</u>
Assigned:			
General government	44,003	-	44,003
Security of persons and property	59,594	-	59,594
Public health and welfare	6,680	-	6,680
Community environment	2,172	-	2,172
Leisure time activity	7,997	-	7,997
Subsequent year appropriations	<u>450,560</u>	<u>-</u>	<u>450,560</u>
Total assigned	<u>571,006</u>	<u>-</u>	<u>571,006</u>
Unassigned (deficit)	<u>2,995,656</u>	<u>(48,939)</u>	<u>2,946,717</u>
Total fund balances	<u>\$ 3,824,404</u>	<u>\$ 6,335,786</u>	<u>\$ 10,160,190</u>

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 25 - TAX ABATEMENTS

As of December 31, 2019, the City provides tax abatements through a Community Reinvestment Area (CRA). This program relates to the abatement of property taxes.

CRA - Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill. As of the date of this report, the gross dollar amount by which the taxes were reduced to the City for 2019 is not available, and in the opinion of the City the amount is not material to the basic financial statements.

NOTE 26 - SIGNIFICANT SUBSEQUENT EVENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.026098%	0.027752%	0.027246%	0.028031%
City's proportionate share of the net pension liability	\$ 7,147,713	\$ 4,353,752	\$ 6,187,103	\$ 4,855,323
City's covered payroll	\$ 3,536,171	\$ 3,671,808	\$ 3,519,742	\$ 3,442,967
City's proportionate share of the net pension liability as a percentage of its covered payroll	202.13%	118.57%	175.78%	141.02%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%	77.25%	81.08%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.022306%	0.024008%	0.021753%	0.014350%
City's proportionate share of the net pension asset	\$ 24,943	\$ 32,683	\$ 12,108	\$ 6,983
City's covered payroll	\$ 95,400	\$ 98,323	\$ 84,675	\$ 51,708
City's proportionate share of the net pension asset as a percentage of its covered payroll	26.15%	33.24%	14.30%	13.50%
Plan fiduciary net position as a percentage of the total pension asset	126.64%	137.28%	116.55%	116.90%
<i>Member Directed Plan:</i>				
City's proportion of the net pension asset	0.003518%	0.002772%	0.002962%	0.003142%
City's proportionate share of the net pension asset	\$ 80	\$ 97	\$ 12	\$ 12
City's covered payroll	\$ 20,110	\$ 15,190	\$ 15,375	\$ 17,500
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.40%	0.64%	0.08%	0.07%
Plan fiduciary net position as a percentage of the total pension asset	113.42%	124.46%	103.40%	103.91%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>
	0.029195%	0.029195%
\$	3,521,243	\$ 3,441,710
\$	3,586,158	\$ 3,441,600
	98.19%	100.00%
	86.45%	86.36%
	0.014791%	0.014791%
\$	5,694	\$ 1,552
\$	54,067	\$ 48,292
	10.53%	3.21%
	114.83%	104.56%
	n/a	n/a
	n/a	n/a
	n/a	n/a
	n/a	n/a
	n/a	n/a

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST SIX YEARS			
	2019	2018	2017	2016
City's proportion of the net pension liability	0.080448%	0.082245%	0.082012%	0.085363%
City's proportionate share of the net pension liability	\$ 6,566,683	\$ 5,047,794	\$ 5,194,520	\$ 5,491,504
City's covered payroll	\$ 1,832,674	\$ 1,807,580	\$ 1,780,107	\$ 1,701,067
City's proportionate share of the net pension liability as a percentage of its covered payroll	358.31%	279.26%	291.81%	322.83%
Plan fiduciary net position as a percentage of the total pension liability	63.07%	70.91%	68.36%	66.77%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.093294%	0.093294%
\$ 4,833,003	\$ 4,543,695
\$ 1,864,407	\$ 1,706,163
259.22%	266.31%
72.20%	73.00%

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 507,957	\$ 495,064	\$ 477,335	\$ 422,369
Contributions in relation to the contractually required contribution	<u>(507,957)</u>	<u>(495,064)</u>	<u>(477,335)</u>	<u>(422,369)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,628,264	\$ 3,536,171	\$ 3,671,808	\$ 3,519,742
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 14,101	\$ 13,356	\$ 12,782	\$ 10,161
Contributions in relation to the contractually required contribution	<u>(14,101)</u>	<u>(13,356)</u>	<u>(12,782)</u>	<u>(10,161)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 100,721	\$ 95,400	\$ 98,323	\$ 84,675
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 5,871	\$ 2,011	\$ 1,519	\$ 1,845
Contributions in relation to the contractually required contribution	<u>(5,871)</u>	<u>(2,011)</u>	<u>(1,519)</u>	<u>(1,845)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 58,710	\$ 20,110	\$ 15,190	\$ 19,421
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	9.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 413,156	\$ 430,339	\$ 447,408	\$ 345,108	\$ 339,211	\$ 304,273
<u>(413,156)</u>	<u>(430,339)</u>	<u>(447,408)</u>	<u>(345,108)</u>	<u>(339,211)</u>	<u>(304,273)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,442,967	\$ 3,586,158	\$ 3,441,600	\$ 3,451,080	\$ 3,392,110	\$ 3,412,407
12.00%	12.00%	13.00%	10.00%	10.00%	8.92%
\$ 6,205	\$ 6,488	\$ 6,278	\$ 4,064	\$ 4,230	\$ 5,066
<u>(6,205)</u>	<u>(6,488)</u>	<u>(6,278)</u>	<u>(4,064)</u>	<u>(4,230)</u>	<u>(5,066)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 51,708	\$ 54,067	\$ 48,292	\$ 51,119	\$ 53,208	\$ 52,299
12.00%	12.00%	13.00%	7.95%	7.95%	9.69%
\$ 2,100					
<u>(2,100)</u>					
<u>\$ -</u>					
\$ 22,105					
9.50%					

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	2019	2018	2017	2016
<i>Police:</i>				
Contractually required contribution	\$ 197,139	\$ 186,350	\$ 183,102	\$ 178,621
Contributions in relation to the contractually required contribution	(197,139)	(186,350)	(183,102)	(178,621)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,037,574	\$ 980,789	\$ 963,695	\$ 940,111
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
 <i>Fire:</i>				
Contractually required contribution	\$ 204,440	\$ 200,193	\$ 198,313	\$ 197,399
Contributions in relation to the contractually required contribution	(204,440)	(200,193)	(198,313)	(197,399)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 869,957	\$ 851,885	\$ 843,885	\$ 839,996
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 172,937	\$ 194,200	\$ 146,350	\$ 120,533	\$ 116,848	\$ 115,008
<u>(172,937)</u>	<u>(194,200)</u>	<u>(146,350)</u>	<u>(120,533)</u>	<u>(116,848)</u>	<u>(115,008)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 910,195	\$ 1,022,105	\$ 921,406	\$ 945,357	\$ 916,455	\$ 902,024
19.00%	19.00%	15.88%	12.75%	12.75%	12.75%
\$ 185,855	\$ 197,941	\$ 159,894	\$ 134,482	\$ 130,764	\$ 126,806
<u>(185,855)</u>	<u>(197,941)</u>	<u>(159,894)</u>	<u>(134,482)</u>	<u>(130,764)</u>	<u>(126,806)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 790,872	\$ 842,302	\$ 784,435	\$ 779,606	\$ 758,052	\$ 735,107
23.50%	23.50%	20.38%	17.25%	17.25%	17.25%

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE YEARS

	2019	2018	2017
City's proportion of the net OPEB liability	0.025098%	0.026690%	0.026117%
City's proportionate share of the net OPEB liability	\$ 3,272,187	\$ 2,898,336	\$ 2,637,921
City's covered payroll	\$ 3,651,681	\$ 3,785,321	\$ 3,623,838
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	89.61%	76.57%	72.79%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	54.14%	54.05%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.080448%	0.082245%	0.082012%
City's proportionate share of the net OPEB liability	\$ 732,602	\$ 4,659,920	\$ 3,892,925
City's covered payroll	\$ 1,832,674	\$ 1,807,580	\$ 1,780,107
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	39.97%	257.80%	218.69%
Plan fiduciary net position as a percentage of the total OPEB liability	46.57%	14.13%	15.96%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	2019	2018	2017	2016
Contractually required contribution	\$ 2,348	\$ 805	\$ 38,309	\$ 72,397
Contributions in relation to the contractually required contribution	(2,348)	(805)	(38,309)	(72,397)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 3,787,695	\$ 3,651,681	\$ 3,785,321	\$ 3,623,838
Contributions as a percentage of covered payroll	0.06%	0.02%	1.01%	2.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 69,894	\$ 72,642	\$ 34,884	\$ 141,126	\$ 138,893	\$ 175,720
<u>(69,894)</u>	<u>(72,642)</u>	<u>(34,884)</u>	<u>(141,126)</u>	<u>(138,893)</u>	<u>(175,720)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,516,780	\$ 3,640,225	\$ 3,489,892	\$ 3,502,199	\$ 3,445,318	\$ 3,464,706
1.99%	2.00%	1.00%	4.03%	4.03%	5.07%

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	2019	2018	2017	2016
<i>Police:</i>				
Contractually required contribution	\$ 5,188	\$ 4,904	\$ 4,818	\$ 4,701
Contributions in relation to the contractually required contribution	(5,188)	(4,904)	(4,818)	(4,701)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,037,574	\$ 980,789	\$ 963,695	\$ 940,111
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%
 <i>Fire:</i>				
Contractually required contribution	\$ 4,350	\$ 4,259	\$ 4,219	\$ 4,200
Contributions in relation to the contractually required contribution	(4,350)	(4,259)	(4,219)	(4,200)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 869,957	\$ 851,885	\$ 843,885	\$ 839,996
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 4,674	\$ 4,808	\$ 32,626	\$ 63,812	\$ 61,861	\$ 60,886
<u>(4,674)</u>	<u>(4,808)</u>	<u>(32,626)</u>	<u>(63,812)</u>	<u>(61,861)</u>	<u>(60,886)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 910,195	\$ 1,022,105	\$ 921,406	\$ 945,357	\$ 916,455	\$ 902,024
0.50%	0.50%	3.62%	6.75%	6.75%	6.75%
\$ 3,954	\$ 4,122	\$ 27,932	\$ 52,624	\$ 51,169	\$ 49,620
<u>(3,954)</u>	<u>(4,122)</u>	<u>(27,932)</u>	<u>(52,624)</u>	<u>(51,169)</u>	<u>(49,620)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 790,872	\$ 842,302	\$ 784,435	\$ 779,606	\$ 758,052	\$ 735,107
0.50%	0.50%	3.62%	6.75%	6.75%	6.75%

**CITY OF ST. MARYS
AUGLAIZE COUNTY**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2019.

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

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2019.

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2019.

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

OHIO POLICE AND FIRE (OP&F) PENSION FUND

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

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

**Independent Auditor's Report on the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

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

To the Mayor and Members of Council:

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 St. Marys, Auglaize County, Ohio, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of St. Marys' basic financial statements. We issued our unmodified report thereon dated September 15, 2020. Our opinion also explained that the City of St. Marys adopted Governmental Accounting Standard Board (GASB) Statement No. 84, *Fiduciary Activities*, during the year, additionally, the beginning net position of the governmental activities was restated to properly classify capital assets and their effect on net position. We conducted our audit to opine on the City of St. Marys' basic financial statements as a whole. We have not performed any procedures to the audited financial statements subsequent to September 15, 2020. The accompanying schedule of expenditures of federal awards ("Schedule") presents additional analysis required by the Uniform Guidance and is not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management used to prepare the basic financial statements. Management has revised and reissued this Schedule. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in blue ink that reads "Julian & Grube, Inc." in a cursive script.

Julian & Grube, Inc.
August 15, 2022

CITY OF ST. MARYS
 AUGLAIZE COUNTY, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2019

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM/CLUSTER TITLE	PASS-THROUGH ENTITY IDENTIFYING NUMBER / ADDITIONAL AWARD IDENTIFICATION	ASSISTANCE LISTING NUMBER	PASSED THROUGH TO SUBRECIPIENTS	TOTAL EXPENDITURES OF FEDERAL AWARDS
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Passed Through Ohio Department of Natural Resources</i>				
<i>Highway Planning and Construction Cluster</i>				
Recreational Trails Program	RT15(299)	20.219	\$ -	\$ 20,585
Total Highway Planning and Construction Cluster			-	20,585
Total U.S. Department of Transportation			-	20,585
U.S. ENVIRONMENTAL PROTECTION AGENCY				
<i>Passed Through Ohio Environmental Protection Agency</i>				
<i>Drinking Water State Revolving Fund Cluster</i>				
Capitalization Grants for Drinking Water State Revolving Funds	FS390825-0003	66.468	-	11,026,553
Total Drinking Water State Revolving Fund Cluster			-	11,026,553
Total U.S. Environmental Protection Agency			-	11,026,553
Total Expenditures of Federal Awards			\$ -	\$ 11,047,138

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of St. Marys (the “City”) under programs of the federal government for the year ended December 31, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City. Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be limited to as to reimbursement.

NOTE 2 – DE MINIMIS INDIRECT COST RATE

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

NOTE 3 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2019, it was determined that City did not identify certain expenditures of federal awards. Subsequent to the original issuance of the audit report on September 15, 2020, it was determined that the City omitted the following expenditures of federal awards from the originally provided Schedule:

- \$11,026,553 of expenditures related to the Drinking Water State Revolving Cluster (Capitalization Grants for Drinking Water State Revolving Funds – ALN 66.468), from the U.S Environmental Protection Agency and passed through the Ohio Environmental Protection Agency.

Management has revised and reissued the Schedule.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Mayor and Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Marys, Auglaize County, Ohio, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of St. Marys' basic financial statements and have issued our report thereon dated September 15, 2020, wherein we noted as discussed in Note 3B to the financial statements, the City of St. Marys adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, additionally, the beginning net position of the governmental activities has been restated to properly classify capital assets and their effect on net position, Furthermore, as discussed in Note 26 to the financial statements, the financial impact of COVID-19 and the ensuring emergency measures, will impact subsequent periods of the City of St. Marys.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the City of St. Marys' financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
September 15, 2020

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

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

To the Mayor and Members of Council:

Report on Compliance for Each Major Federal Program

We have audited the City of St. Marys' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City of St. Marys' major federal programs for the year ended December 31, 2019. The City of St. Marys' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of St. Marys' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of St. Marys' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of St. Marys' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of St. Marys complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of the City of St. Marys is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of St. Marys' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of St. Marys' internal control over compliance.

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

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

The City of St. Marys' response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The City of St. Marys' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report Revision and Reissuance

Subsequent to the original issuance of the 2019 audit report, it was determined that a federal program was omitted from the originally provided schedule of expenditures of federal awards (SEFA). The omitted program should have been evaluated and tested as a major federal program. Accordingly, management revised the 2019 SEFA to include the expenditures on the SEFA and Julian & Grube, Inc., performed the appropriate procedures over the originally omitted program. Other changes to the various reports that have been made are as follows:

- Modification of the title page from Basic Financial Statements (Audited) to Revised Single Audit.
- Add Supplementary Information Section consisting of the Independent Auditor's Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance, the Schedule of Expenditures of Federal Awards, and the Notes to the Schedule of Expenditures of Federal Awards 2 *CFR* 200.510(b)(6).
- Add the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance, the Schedule of Findings 2 *CFR* § 200.515, and the Corrective Action Plan 2 *CFR* § 200.511(c).
- Modification of Summary Schedule of Prior Audit Findings to Summary Schedule of Prior Audit Findings 2 *CFR* § 200.511(b).
- Modification of the Table of Contents, as applicable, for the items listed above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
August 15, 2022

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2019**

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

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

None.

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2019**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS			
Finding Number	2019-001		
ALN Title and Number	Drinking Water State Revolving Fund Cluster: Capitalization Grants for Drinking Water State Revolving Funds, ALN 66.468		
Federal Award Identification Number/Year	2019		
Federal Agency	U.S. Environmental Protection Agency		
Compliance Requirement	Other		
Pass-Through Entity	Ohio Environmental Protection Agency		
Repeat Finding from Prior Audit	No	Prior Finding Number	N/A

Material Weakness/Noncompliance – Other

2 CFR §200.510(b) states, in part, that the auditee must prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. At a minimum, the schedule must:

- a. List individual federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- b. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- c. Provide total Federal awards expended for each individual Federal program and the Assistance Listing Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- d. Include the total amount provided to subrecipients from each Federal program.
- e. For loan or loan guarantee programs described in §200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- f. Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in §200.414.

Subsequent to the original issuance of the 2019 audit report dated September 15, 2020, it was discovered that the pass-through agency, using an alternative approach, had designated the City's ongoing Water Systems Improvement project as a federal program under the Capitalization Grants for Drinking Water State Revolving Funds (ALN 66.468). The related expenditures of \$11,026,553 were excluded from the City's originally provided SEFA. Once the Ohio Environmental Protection Agency (the pass-through agency) has identified/designated a project as federal, using this alternative approach, it is required to be subjected to a single audit for the life of the project in any year where the City's total expenditures of federal awards exceeds \$750,000.

The City failed to properly identify/communicate the federal designation of the project. Inaccurate completion of the SEFA could lead to inaccurate reporting of federal expenditures by the City and could jeopardize future federal funding.

The City's originally provided SEFA for 2019 was materially misstated by the exclusion of the Capitalization Grants for Drinking Water State Revolving Funds (ALN 66.468), in the amount of \$11,026,553.

We recommend that the City review the process for identifying federal awards to minimize the likelihood of errors in the reporting process.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR § 200.511(b)
DECEMBER 31, 2019**

<u>Finding Number</u>	<u>Year Initially Occurred</u>	<u>Finding Summary</u>	<u>Status</u>	<u>Additional Information</u>
2018-001	2018	<u>Material Weakness: Financial Statement Presentation</u> - The presentation of materially correct financial statements and the related notes is the responsibility of management and is an important part of the City's overall purpose. Financial reporting requires internal controls to help ensure the accuracy of the activity reported. Certain adjustments were made to the financial statements and note disclosures to properly state capital asset amounts, as well as, their effect on the related components of net position.	Partially Corrected	Moved to Management Letter
N/A	2018	Finding for recovery against Mr. Kim Rieher in the amount of \$7,856.00	Not Corrected as of original issuance (September 15, 2020); Corrected/Repaid as of reissuance (August 15, 2022)	Not corrected - not repaid as of September 15, 2020; Corrected - repaid as of April 26, 2021

CITY OF ST. MARYS, OHIO

DOUGLAS M. RIESEN
Auditor



101 East Spring Street
St. Marys, OH 45885-2395

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) DECEMBER 31, 2019

Finding Number	Planned Corrective Action	Anticipation Completion Date	Responsible Contact Person
2019-001	The City will review the process for identifying federal awards to minimize the likelihood of errors in preparing the schedule of expenditures of federal awards. This will include inquiries of the Engineer's Office.	September 2022	Douglas Riesen, Auditor

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF ST. MARYS

AUGLAIZE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/30/2022

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