



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF UPPER SANDUSKY
 WYANDOT COUNTY
 DECEMBER 31, 2020 AND 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

City of Upper Sandusky
Wyandot County
119 North Seventh Street
Upper Sandusky, Ohio 43351

To the City 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 Upper Sandusky, Wyandot County, Ohio (the City), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and FEMA 2 funds in 2020, and the General and Parks and Recreation funds in 2019, thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. Also, as discussed in Note 2 to the financial statements, during 2019, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB 84) Statement No. 84, Fiduciary Activities. 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 post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

December 20, 2021

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Unaudited)

The discussion and analysis of the City of Upper Sandusky's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2020. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- In total, net position increased \$228,055. Net position of governmental activities increased \$202,079. Net position of business-type activities increased \$25,976.
- Total capital assets increased \$10,150,065 in 2020. Capital assets of governmental activities decreased \$889,126 and capital assets of business-type activities increased \$11,039,191.
- Outstanding debt increased from \$36,275,697 to \$48,225,375.

Using this Annual Financial Report

This report is designed to allow the reader to look at the financial activities of the City of Upper Sandusky as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the City's operations, as they prefer.

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2020 and how they affected the operations of the City as a whole.

Reporting the City of Upper Sandusky as a Whole

Statement of Net Position and the Statement of 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. In the case of the City of Upper Sandusky, the general fund, fema 2 fund, and capital improvements fund are the most significant funds. Business-type funds consist of the water, sewer and sanitation funds.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Unaudited)

A question typically asked about the City's finances "How did we do financially during 2020?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes 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 which restrict revenue growth, facility conditions, 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 general government, security of persons and property, public health, community development, leisure time activities, basic utility service, and transportation.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer and sanitation funds are reported as business activities.

Reporting the City of Upper Sandusky'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 safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund, the FEMA 2 fund, and the capital improvement fund.

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Unaudited)

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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 the fiduciary funds is much like that used for proprietary funds.

The City of Upper Sandusky as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2020 compared to 2019:

Table 1
Net Position

| | Governmental Activities | | | Business-Type Activities | | |
|--|-------------------------|----------------------|--------------------|--------------------------|----------------------|-------------------|
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Assets | | | | | | |
| Current & Other Assets | \$ 5,473,441 | \$ 4,699,853 | \$ 773,588 | \$ 4,691,915 | \$ 3,966,972 | \$ 724,943 |
| Capital Assets | 16,707,403 | 17,596,529 | (889,126) | 63,365,408 | 52,326,217 | 11,039,191 |
| <i>Total Assets</i> | <u>22,180,844</u> | <u>22,296,382</u> | <u>(115,538)</u> | <u>68,057,323</u> | <u>56,293,189</u> | <u>11,764,134</u> |
| Deferred Outflows of Resources | | | | | | |
| Pension & OPEB | 1,094,696 | 1,916,216 | (821,520) | 423,817 | 784,124 | (360,307) |
| Liabilities | | | | | | |
| Current & Other Liabilities | 242,770 | 498,875 | (256,105) | 210,270 | 1,153,551 | (943,281) |
| Long-Term Liabilities: | | | | | | |
| Due Within One Year | 740,821 | 692,975 | 47,846 | 1,000,488 | 929,740 | 70,748 |
| Due In More Than One Year: | | | | | | |
| Net Pension Liability | 4,443,420 | 5,780,099 | (1,336,679) | 1,529,697 | 2,176,720 | (647,023) |
| Net OPEB Liability | 1,645,443 | 1,576,010 | 69,433 | 1,005,226 | 974,470 | 30,756 |
| Other Amounts | 1,614,813 | 2,106,386 | (491,573) | 45,278,522 | 32,869,110 | 12,409,412 |
| <i>Total Liabilities</i> | <u>8,687,267</u> | <u>10,654,345</u> | <u>(1,967,078)</u> | <u>49,024,203</u> | <u>38,103,591</u> | <u>10,920,612</u> |
| Deferred Inflows of Resources | | | | | | |
| Property Taxes | 324,519 | 274,000 | 50,519 | - | - | - |
| Other | 81,621 | 81,499 | 122 | - | - | - |
| Pension & OPEB | 1,237,510 | 460,210 | 777,300 | 510,698 | 53,459 | 457,239 |
| <i>Total Deferred Inflows of Resources</i> | <u>1,643,650</u> | <u>815,709</u> | <u>827,941</u> | <u>510,698</u> | <u>53,459</u> | <u>457,239</u> |
| Net Investment in Capital Assets * | 16,222,003 | 17,066,613 | (844,610) | 17,101,153 | 17,682,898 | (581,745) |
| Restricted | 1,790,971 | 1,213,306 | 577,665 | - | - | - |
| Unrestricted (Deficit) | (5,068,351) | (5,537,375) | 469,024 | 1,845,086 | 1,237,365 | 607,721 |
| <i>Total Net Position</i> | <u>\$ 12,944,623</u> | <u>\$ 12,742,544</u> | <u>\$ 202,079</u> | <u>\$ 18,946,239</u> | <u>\$ 18,920,263</u> | <u>\$ 25,976</u> |

*Debt related to certain business-type assets is included in the governmental activities. This debt has not been included in the net investment in capital assets for governmental or business-type activities, but has been reflected in the entity-wide total. See Note 9.

City of Upper Sandusky
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(Unaudited)

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2020 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. In a prior year, the City adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
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(Unaudited)

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

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

At year end, capital assets represented 89 percent of total assets. Capital assets include land, buildings and improvements, machinery and equipment, vehicles, infrastructure and construction in progress. Net investment in capital assets for governmental activities was \$16,222,003 and \$17,101,153 in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$1,790,971 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position is a deficit balance of \$1,643,838.

For both governmental and business-type activities, the changes reflected in net pension and net OPEB liability, and deferred outflows/inflows of resources relating to pension and OPEB are based on estimates at the plan level. For additional details on GASB 68 and 75, see aforementioned discussion.

Capital assets and long-term liabilities for business-type activities increased primarily due to construction in process and related debt for a new wastewater treatment plant. Capital assets and long-term liabilities decreased in governmental activities due to current year depreciation and debt payments exceeding additions, respectively.

Current assets increased in governmental activities primarily due to an increase in intergovernmental revenue as a result of coronavirus relief funds and decreased expenditures in the general fund. Current and other liabilities decreased in governmental activities mostly due to timing of accounts payable and days accrued for accrued wages. Current assets for cash also increased in business-type activities due to increase revenues resulting from an increase in wastewater rates.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Unaudited)

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2020 and 2019.

Table 2
Changes in Net Position

| | Governmental Activities | | | Business-Type Activities | | |
|---------------------------------------|-------------------------|----------------------|-------------------|--------------------------|----------------------|------------------|
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Revenues | | | | | | |
| <i>Program Revenues</i> | | | | | | |
| Charges for Services | \$ 916,514 | \$ 1,090,744 | \$ (174,230) | \$ 5,795,007 | \$ 5,689,813 | \$ 105,194 |
| Operating Grants | 1,360,988 | 508,964 | 852,024 | - | - | - |
| Capital Grants | - | 125,000 | (125,000) | - | 100,000 | (100,000) |
| <i>Total Program Revenues</i> | <u>2,277,502</u> | <u>1,724,708</u> | <u>552,794</u> | <u>5,795,007</u> | <u>5,789,813</u> | <u>5,194</u> |
| General Revenues | | | | | | |
| Property Taxes | 354,135 | 368,939 | (14,804) | - | - | - |
| Income Taxes | 3,185,225 | 3,207,976 | (22,751) | - | - | - |
| Grants & Entitlements | 280,247 | 317,917 | (37,670) | - | - | - |
| Other Local Taxes | 48,467 | 72,702 | (24,235) | - | - | - |
| Payments in Lieu of Taxes | 81,499 | 55,378 | 26,121 | - | - | - |
| Miscellaneous | 541,156 | 248,300 | 292,856 | 44,102 | 71,430 | (27,328) |
| <i>Total General Revenues</i> | <u>4,490,729</u> | <u>4,271,212</u> | <u>219,517</u> | <u>44,102</u> | <u>71,430</u> | <u>(27,328)</u> |
| <i>Total Revenues</i> | <u>6,768,231</u> | <u>5,995,920</u> | <u>772,311</u> | <u>5,839,109</u> | <u>5,861,243</u> | <u>(22,134)</u> |
| Program Expenses | | | | | | |
| General Government | 2,298,580 | 2,274,485 | 24,095 | - | - | - |
| Security of Persons and Property | 2,564,857 | 1,059,603 | 1,505,254 | - | - | - |
| Public Health | 28,208 | 28,345 | (137) | - | - | - |
| Leisure Time Services | 758,442 | 873,371 | (114,929) | - | - | - |
| Community Development | 169,717 | 110,117 | 59,600 | - | - | - |
| Basic Utility Service | 167,364 | 183,829 | (16,465) | - | - | - |
| Transportation | 898,062 | 1,201,083 | (303,021) | - | - | - |
| Interest and Fiscal Charges | 92,033 | 106,478 | (14,445) | - | - | - |
| Enterprise Operations: | | | | | | |
| Water | - | - | - | 2,869,149 | 3,142,310 | (273,161) |
| Sewer | - | - | - | 1,604,537 | 1,902,629 | (298,092) |
| Sanitation | - | - | - | 928,336 | 1,029,661 | (101,325) |
| <i>Total Expenses</i> | <u>6,977,263</u> | <u>5,837,311</u> | <u>1,139,952</u> | <u>5,402,022</u> | <u>6,074,600</u> | <u>(672,578)</u> |
| Transfers | 411,111 | 499,201 | (88,090) | (411,111) | (499,201) | 88,090 |
| Total General Revenues and Transfers | <u>4,901,840</u> | <u>4,770,413</u> | <u>131,427</u> | <u>(367,009)</u> | <u>(427,771)</u> | <u>60,762</u> |
| <i>Change in Net Position</i> | <u>202,079</u> | <u>657,810</u> | <u>(455,731)</u> | <u>25,976</u> | <u>(712,558)</u> | <u>738,534</u> |
| <i>Net Position Beginning of Year</i> | <u>12,742,544</u> | <u>12,084,734</u> | <u>657,810</u> | <u>18,920,263</u> | <u>19,632,821</u> | <u>(712,558)</u> |
| <i>Net Position End of Year</i> | <u>\$ 12,944,623</u> | <u>\$ 12,742,544</u> | <u>\$ 202,079</u> | <u>\$ 18,946,239</u> | <u>\$ 18,920,263</u> | <u>\$ 25,976</u> |

Governmental Activities

The funding for the governmental activities comes from several different sources, the most significant being the municipal income tax. Other prominent sources are property taxes, grants and entitlements, and charges for services.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is still comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Unaudited)

A city that is dependent upon municipal income taxes and property taxes that is hampered by a lack of revenue growth must regularly return to the voters to maintain a constant level of service. Municipal income taxes and property taxes made up 52 percent of revenues for governmental activities in calendar year 2020. The increase in operating grants is related to COVID-19 relief grants that the City received in 2020. Miscellaneous revenue also increased in 2020, primarily caused by additional refunds from the Ohio Bureau of Worker's Compensation.

Business-Type Activities

Business-type activities include water, sewer and sanitation operations. The revenues are generated primarily from charges for services. In 2020, charges for services of \$5,795,007 accounted for 99 percent of the business type revenues.

The City's Funds

Governmental Funds

As noted earlier, the City's governmental funds are accounted for using the modified accrual method of accounting. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of the fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

The general fund is the chief operating fund of the City. The fund balance of the general fund increased by \$315,172 during the current fiscal year due to expenditures normally being paid out of the general fund were paid with coronavirus relief funding.

The FEMA 2 fund had a \$281,908 increase in fund balance due to the timing of resources received as compared to costs incurred for this grant fund.

The fund balance of the capital improvement fund increased by \$153,205 based on timing of resources compared to expenditures for projects.

Proprietary Funds

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

Unrestricted net position of the water fund at the end of the year was \$94,956, the sewer fund was \$1,856,970, and the sanitation fund was negative \$106,840. The total change in net position for these funds was a decrease of \$558,714, an increase of \$609,137, and a decrease of \$24,447, respectively. The decrease in the water fund is primarily due to transfers to governmental activities for debt payments, while the increase in the sewer fund can be attributed to revenue from an increase in wastewater rates. Other factors concerning the finances of these funds have already been addressed in the business-type activities and capital asset discussions.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Unaudited)

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of 2020, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

Original Budget Compared to Final Budget During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations.

Final Budget Compared to Actual Results The most significant differences between estimated revenues and actual revenues were as follows:

Fines and forfeitures were less than estimated by \$106,146 due to reduced activity caused by the COVID-19 pandemic. Interest revenue also was less than the budgeted amount by 36,167 due to adjustments in the estimate.

During the year, there were differences between the final budgeted appropriations and actual expenditures for general government of \$250,836 and security of persons and property of \$491,229 due to the current fiscal year expenditures that normally were being paid out of the general fund were paid with coronavirus relief funding.

There were no significant variances to discuss within other financing sources and uses.

Capital Assets and Debt Administration

Capital Assets

Table 3 shows fiscal year 2020 balances compared with 2019.

Table 3
Capital Assets at December 31
(Net of Depreciation)

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land | \$ 759,000 | \$ 759,000 | \$ - | \$ - | \$ 759,000 | \$ 759,000 |
| Infrastructure | 13,609,363 | 14,216,597 | 21,161,908 | 21,842,340 | 34,771,271 | 36,058,937 |
| Buildings and Improvements | 1,036,482 | 1,151,971 | 14,355,715 | 14,872,179 | 15,392,197 | 16,024,150 |
| Machinery and Equipment | 434,562 | 472,432 | 2,260,240 | 2,394,067 | 2,694,802 | 2,866,499 |
| Vehicles | 867,996 | 996,529 | 603,529 | 708,549 | 1,471,525 | 1,705,078 |
| Construction in Progress | - | - | 24,984,016 | 12,509,082 | 24,984,016 | 12,509,082 |
| Total | \$ 16,707,403 | \$ 17,596,529 | \$ 63,365,408 | \$ 52,326,217 | \$ 80,072,811 | \$ 69,922,746 |

See Note 7 for additional information about the capital assets of the City.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Unaudited)

Debt

Table 4 summarizes outstanding debt. See Note 9 for additional details including information regarding OWDA loan proceeds for the wastewater treatment plant upgrade projects.

Table 4
Outstanding Debt, at December 31

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| General Obligation Bonds | \$ 620,296 | \$ 725,456 | \$ - | \$ - | \$ 620,296 | \$ 725,456 |
| OPWC Loans | 265,745 | 278,095 | 1,810,447 | 1,853,993 | 2,076,192 | 2,132,088 |
| OWDA Loans | 1,125,682 | 1,540,960 | 44,340,004 | 31,841,139 | 45,465,686 | 33,382,099 |
| Capital Leases | 63,201 | 36,054 | - | - | 63,201 | 36,054 |
| <i>Total</i> | <u>\$ 2,074,924</u> | <u>\$ 2,580,565</u> | <u>\$ 46,150,451</u> | <u>\$ 33,695,132</u> | <u>\$ 48,225,375</u> | <u>\$ 36,275,697</u> |

Economic Factors

The City has seen a 2.0% increase in 2019 over 2018 in income tax revenue with a 2.3% decrease in 2020 over 2019. The decrease in 2020 tax revenue is reflective of the effects of the state of emergency declared in the first quarter of 2020. As in prior years we still rely heavily on the income tax revenue and will find it necessary to keep expenditures no higher than the 2019 level but as always provide basic services to its citizens.

With the City in the midst of construction of a new wastewater treatment plant which was commissioned to operation on January 6, 2021, the City found it necessary in 2020, 2021, 2022 and 2023 to increase Sewer rates by one dollar (\$1.00) per 1000 gallons. In the month of April of each listed year the sewer rate was increased to cover the cost of the current wastewater treatment plant upgrades. There were no changes made to the water or sanitation rates. We continue to use rate studies to be sure we are keeping up with necessary increase in order to provide the services the citizens are accustomed.

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 may 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 have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of 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 to a precise amount. However, the City is planning for a reduction of some key incomes sources such as Income, Permissive, and Gas Taxes.

As in years past, the City has committed itself to financial excellence and will do the same in the future.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Unaudited)

Contacting the City's Finance Department

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 any questions about this report or need additional financial information, contact Mark Droll, Auditor of City of Upper Sandusky, 119 N. 7th Street, Upper Sandusky, Ohio 43351 or 419-294-3988.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Net Position
December 31, 2020

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Equity in Pooled Cash and Investments | \$ 3,718,735 | \$ 3,685,756 | \$ 7,404,491 |
| Cash and Investments in Segregated Accounts | 11,040 | - | 11,040 |
| Accounts Receivable | 107,127 | 839,066 | 946,193 |
| Intergovernmental Receivable | 366,938 | - | 366,938 |
| Taxes Receivable | 943,950 | - | 943,950 |
| Payments in Lieu of Taxes Receivable | 81,621 | - | 81,621 |
| Notes Receivable | 218,460 | - | 218,460 |
| Materials and Supplies Inventory | 25,570 | 167,093 | 192,663 |
| Non-Depreciable Capital Assets | 759,000 | 24,984,016 | 25,743,016 |
| Depreciable Capital Assets, Net | 15,948,403 | 38,381,392 | 54,329,795 |
| <i>Total Assets</i> | <u>22,180,844</u> | <u>68,057,323</u> | <u>90,238,167</u> |
| Deferred Outflows of Resources | | | |
| Pension | 672,529 | 255,737 | 928,266 |
| OPEB | 422,167 | 168,080 | 590,247 |
| <i>Total Deferred Outflows of Resources</i> | <u>1,094,696</u> | <u>423,817</u> | <u>1,518,513</u> |
| Liabilities | | | |
| Accounts Payable | 44,220 | 66,468 | 110,688 |
| Accrued Wages | 40,474 | 17,137 | 57,611 |
| Contracts Payable | - | 113,802 | 113,802 |
| Payroll Withholdings Payable | 8,739 | - | 8,739 |
| Intergovernmental Payable | 53,234 | 12,863 | 66,097 |
| Claims Payable | 96,103 | - | 96,103 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 740,821 | 1,000,488 | 1,741,309 |
| Due In More Than One Year: | | | |
| Net Pension Liability | 4,443,420 | 1,529,697 | 5,973,117 |
| Net OPEB Liability | 1,645,443 | 1,005,226 | 2,650,669 |
| Other Amounts Due in More Than One Year | 1,614,813 | 45,278,522 | 46,893,335 |
| <i>Total Liabilities</i> | <u>8,687,267</u> | <u>49,024,203</u> | <u>57,711,470</u> |
| Deferred Inflows of Resources | | | |
| Property Taxes Levied for the Next Year | 324,519 | - | 324,519 |
| Payments in Lieu of Taxes | 81,621 | - | 81,621 |
| Pension | 800,509 | 351,951 | 1,152,460 |
| OPEB | 437,001 | 158,747 | 595,748 |
| <i>Total Deferred Inflows of Resources</i> | <u>1,643,650</u> | <u>510,698</u> | <u>2,154,348</u> |
| Net Position | | | |
| Net Investment in Capital Assets * | 16,222,003 | 17,101,153 | 31,743,729 |
| Restricted for: | | | |
| Capital Projects | 423,162 | - | 423,162 |
| Other Purposes | 1,367,809 | - | 1,367,809 |
| Unrestricted (Deficit) | (5,068,351) | 1,845,086 | (1,643,838) |
| <i>Total Net Position</i> | <u>\$ 12,944,623</u> | <u>\$ 18,946,239</u> | <u>\$ 31,890,862</u> |

*Debt related to certain business-type assets is included in the governmental activities. This debt has not been included in the net investment in capital assets for governmental or business-type activities, but has been reflected in the entity-wide total. See Note 9.

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Activities
For the Year Ended December 31, 2020

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|----------------------|--------------------------------------|---|---|-----------------------------|----------------------|
| | Expenses | Charges for Services and Sales | Operating Grants, Contributions and Interest | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities | | | | | | |
| General Government | \$ 2,298,580 | \$ 863,340 | \$ 352,294 | \$ (1,082,946) | \$ - | \$ (1,082,946) |
| Security of Persons and Property | 2,564,857 | 27,792 | 464,811 | (2,072,254) | - | (2,072,254) |
| Public Health | 28,208 | - | - | (28,208) | - | (28,208) |
| Leisure Time Services | 758,442 | 25,382 | - | (733,060) | - | (733,060) |
| Community Development | 169,717 | - | 76,462 | (93,255) | - | (93,255) |
| Basic Utility Service | 167,364 | - | - | (167,364) | - | (167,364) |
| Transportation | 898,062 | - | 467,421 | (430,641) | - | (430,641) |
| Debt Service | | | | | | |
| Interest and Fiscal Charges | 92,033 | - | - | (92,033) | - | (92,033) |
| <i>Total Governmental Activities</i> | <u>6,977,263</u> | <u>916,514</u> | <u>1,360,988</u> | <u>(4,699,761)</u> | <u>-</u> | <u>(4,699,761)</u> |
| Business-Type Activities | | | | | | |
| Water | 2,869,149 | 2,784,679 | - | - | (84,470) | (84,470) |
| Sewer | 1,604,537 | 2,191,216 | - | - | 586,679 | 586,679 |
| Sanitation | 928,336 | 819,112 | - | - | (109,224) | (109,224) |
| <i>Total Business-Type Activities</i> | <u>5,402,022</u> | <u>5,795,007</u> | <u>-</u> | <u>-</u> | <u>392,985</u> | <u>392,985</u> |
| <i>Total</i> | <u>\$ 12,379,285</u> | <u>\$ 6,711,521</u> | <u>\$ 1,360,988</u> | <u>(4,699,761)</u> | <u>392,985</u> | <u>(4,306,776)</u> |
| General Revenues | | | | | | |
| Property Taxes Levied for: | | | | | | |
| General Purposes | | | | 354,135 | - | 354,135 |
| Income Taxes Levied for: | | | | | | |
| General Purposes | | | | 2,371,452 | - | 2,371,452 |
| Capital Projects | | | | 348,760 | - | 348,760 |
| Recreational Purposes | | | | 465,013 | - | 465,013 |
| Grants and Entitlements not Restricted to Specific Programs | | | | 280,247 | - | 280,247 |
| Other Local Taxes | | | | 48,467 | - | 48,467 |
| Payments in Lieu of Taxes | | | | 81,499 | - | 81,499 |
| Investment Earnings | | | | 57,833 | - | 57,833 |
| Miscellaneous | | | | 483,323 | 44,102 | 527,425 |
| <i>Total General Revenues</i> | | | | <u>4,490,729</u> | <u>44,102</u> | <u>4,534,831</u> |
| Transfers | | | | 411,111 | (411,111) | - |
| <i>Total General Revenues and Transfers</i> | | | | <u>4,901,840</u> | <u>(367,009)</u> | <u>4,534,831</u> |
| <i>Change in Net Position</i> | | | | <u>202,079</u> | <u>25,976</u> | <u>228,055</u> |
| <i>Net Position Beginning of Year</i> | | | | <u>12,742,544</u> | <u>18,920,263</u> | <u>31,662,807</u> |
| <i>Net Position End of Year</i> | | | | <u>\$ 12,944,623</u> | <u>\$ 18,946,239</u> | <u>\$ 31,890,862</u> |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Balance Sheet
Governmental Funds
December 31, 2020

| | General | FEMA 2 | Capital Improvements | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------|-------------------------|--------------------------------|--------------------------------|
| Assets | | | | | |
| Equity in Pooled Cash and Investments | \$ 1,162,499 | \$ 282,069 | \$ 295,681 | \$ 1,544,858 | \$ 3,285,107 |
| Cash and Investments in Segregated Accounts | 9,847 | - | - | - | 9,847 |
| Accounts Receivable | 78,842 | - | - | 28,285 | 107,127 |
| Intergovernmental Receivable | 144,806 | - | - | 222,132 | 366,938 |
| Taxes Receivable | 801,291 | - | 59,427 | 83,232 | 943,950 |
| Payments in Lieu of Taxes Receivable | - | - | 81,621 | - | 81,621 |
| Notes Receivable | - | - | - | 218,460 | 218,460 |
| Materials and Supplies Inventory | 1,968 | - | - | 23,602 | 25,570 |
| <i>Total Assets</i> | <u>\$ 2,199,253</u> | <u>\$ 282,069</u> | <u>\$ 436,729</u> | <u>\$ 2,120,569</u> | <u>\$ 5,038,620</u> |
| Liabilities | | | | | |
| Accounts Payable | \$ 25,978 | \$ 161 | \$ 6,015 | \$ 8,653 | \$ 40,807 |
| Accrued Wages | 33,511 | - | - | 6,963 | 40,474 |
| Intergovernmental Payable | 43,182 | - | - | 10,052 | 53,234 |
| Payroll Withholdings Payable | 8,739 | - | - | - | 8,739 |
| <i>Total Liabilities</i> | <u>111,410</u> | <u>161</u> | <u>6,015</u> | <u>25,668</u> | <u>143,254</u> |
| Deferred Inflows of Resources | | | | | |
| Property Taxes Levied for the Next Year | 324,519 | - | - | - | 324,519 |
| Payments in Lieu of Taxes for the Next Year | - | - | 81,621 | - | 81,621 |
| Unavailable Revenue | 407,693 | - | 27,706 | 225,586 | 660,985 |
| <i>Total Deferred Inflows of Resources</i> | <u>732,212</u> | <u>-</u> | <u>109,327</u> | <u>225,586</u> | <u>1,067,125</u> |
| Fund Balances | | | | | |
| Nonspendable | 1,968 | - | - | 23,602 | 25,570 |
| Restricted | - | 281,908 | 321,387 | 1,608,394 | 2,211,689 |
| Committed | - | - | - | 237,319 | 237,319 |
| Assigned | 610,418 | - | - | - | 610,418 |
| Unassigned | 743,245 | - | - | - | 743,245 |
| <i>Total Fund Balance</i> | <u>1,355,631</u> | <u>281,908</u> | <u>321,387</u> | <u>1,869,315</u> | <u>3,828,241</u> |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i> | <u>\$ 2,199,253</u> | <u>\$ 282,069</u> | <u>\$ 436,729</u> | <u>\$ 2,120,569</u> | <u>\$ 5,038,620</u> |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2020

| | | |
|--|-------------|----------------------|
| Total Governmental Fund Balances | | \$ 3,828,241 |
| <i>Amounts reported for governmental activities in the statement of net position are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 16,707,403 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: | | |
| Delinquent Property Taxes | \$ 5,163 | |
| Income Tax | 319,007 | |
| Intergovernmental | 309,810 | |
| Charges for Services | 22,212 | |
| Accounts Receivable | 4,793 | 660,985 |
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. | | 335,305 |
| The net pension liability and net OPEB liability are not due and payable in the current period, therefore, the liability and related deferred inflows/outflows are not reported in governmental funds. | | |
| Deferred Outflows - Pension | 672,529 | |
| Deferred Outflows - OPEB | 422,167 | |
| Net Pension Liability | (4,443,420) | |
| Net OPEB Liability | (1,645,443) | |
| Deferred Inflows - Pension | (800,509) | |
| Deferred Inflows - OPEB | (437,001) | (6,231,677) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | | |
| General Obligation Bonds | (620,296) | |
| OPWC Loans | (265,745) | |
| OWDA Loans | (1,125,682) | |
| Capital Leases | (63,201) | |
| Compensated Absences | (280,710) | (2,355,634) |
| <i>Net Position of Governmental Activities</i> | | <u>\$ 12,944,623</u> |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

| | General | FEMA 2 | Capital Improvements | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------|-------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | |
| Property Taxes | \$ 356,143 | \$ - | \$ - | \$ - | \$ 356,143 |
| Income Taxes | 2,299,796 | - | 350,159 | 466,878 | 3,116,833 |
| Other Local Taxes | 37,288 | - | - | 11,179 | 48,467 |
| Payments in Lieu of Taxes | - | - | 81,499 | - | 81,499 |
| Charges for Services | 45,562 | - | - | 25,382 | 70,944 |
| Licenses and Permits | 85,852 | - | - | - | 85,852 |
| Fines and Forfeitures | 518,661 | - | - | 240,694 | 759,355 |
| Intergovernmental | 265,187 | 879,589 | - | 484,463 | 1,629,239 |
| Interest | 57,833 | - | - | 6,708 | 64,541 |
| Contributions and Donations | 4,005 | - | - | 3,265 | 7,270 |
| Other | 427,461 | - | 5,909 | 45,160 | 478,530 |
| <i>Total Revenues</i> | <u>4,097,788</u> | <u>879,589</u> | <u>437,567</u> | <u>1,283,729</u> | <u>6,698,673</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | 1,594,818 | 234,444 | - | 228,558 | 2,057,820 |
| Security of Persons and Property | 1,926,189 | 315,839 | 82,778 | - | 2,324,806 |
| Public Health | 28,208 | - | - | - | 28,208 |
| Leisure Time Services | 3,563 | - | 26,241 | 533,502 | 563,306 |
| Community Development | 86,727 | 47,398 | - | 4,193 | 138,318 |
| Basic Utility Service | - | - | 167,364 | - | 167,364 |
| Transportation | - | - | 2,080 | 365,394 | 367,474 |
| Debt Service: | | | | | |
| Principal Retirement | 96,545 | - | 491,228 | - | 587,773 |
| Interest and Fiscal Charges | 10,170 | - | 81,863 | - | 92,033 |
| <i>Total Expenditures</i> | <u>3,746,220</u> | <u>597,681</u> | <u>851,554</u> | <u>1,131,647</u> | <u>6,327,102</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>351,568</u> | <u>281,908</u> | <u>(413,987)</u> | <u>152,082</u> | <u>371,571</u> |
| Other Financing Sources (Uses) | | | | | |
| Inception of Capital Lease | - | - | 82,132 | - | 82,132 |
| Transfers In | - | - | 490,826 | 22,500 | 513,326 |
| Transfers Out | (36,396) | - | (5,766) | - | (42,162) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(36,396)</u> | <u>-</u> | <u>567,192</u> | <u>22,500</u> | <u>553,296</u> |
| <i>Net Change in Fund Balances</i> | 315,172 | 281,908 | 153,205 | 174,582 | 924,867 |
| <i>Fund Balances Beginning of Year</i> | 1,040,360 | - | 168,182 | 1,742,196 | 2,950,738 |
| Change in Reserve for Inventory | 99 | - | - | (47,463) | (47,364) |
| <i>Fund Balances End of Year</i> | <u>\$ 1,355,631</u> | <u>\$ 281,908</u> | <u>\$ 321,387</u> | <u>\$ 1,869,315</u> | <u>\$ 3,828,241</u> |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2020*

| | | |
|---|------------------|-------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 924,867 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | | |
| Capital Asset Additions | \$ 221,507 | |
| Current Year Depreciation | <u>(970,237)</u> | (748,730) |
| Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. | | |
| | | (140,396) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property Taxes | (2,008) | |
| Income Tax | 68,393 | |
| Intergovernmental | (1,983) | |
| Charges for Services | 363 | |
| Accounts Receivable | <u>4,793</u> | 69,558 |
| Governmental funds report expenditures for inventory when purchased. However, in the statement of activities they are reported as an expense when consumed. | | |
| | | (47,364) |
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | | |
| General Obligation Bonds | 105,160 | |
| OPWC Loans | 12,350 | |
| OWDA Loans | 415,278 | |
| Capital Lease | <u>54,985</u> | 587,773 |
| Inception of capital lease in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues. | | |
| | | (82,132) |
| Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. | | |
| Pension | 373,244 | |
| OPEB | <u>4,494</u> | 377,738 |
| Except for amount reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities. | | |
| Pension | (583,121) | |
| OPEB | <u>(126,191)</u> | (709,312) |
| The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. | | |
| | | 31,991 |
| Some expenses reported in the statement of activities, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | |
| Compensated Absences | | (61,914) |
| | | <u>202,079</u> |
| <i>Change in Net Position of Governmental Activities</i> | | <u>\$ 202,079</u> |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2020

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|-------------------|-------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Property Taxes | \$ 341,350 | \$ 341,350 | \$ 356,143 | \$ 14,793 |
| Income Taxes | 2,249,000 | 2,249,000 | 2,282,303 | 33,303 |
| Other Local Taxes | 60,000 | 60,000 | 36,294 | (23,706) |
| Charges for Services | 55,792 | 55,792 | 45,562 | (10,230) |
| Licenses and Permits | 82,700 | 82,700 | 85,852 | 3,152 |
| Fines and Forfeitures | 625,500 | 625,500 | 519,354 | (106,146) |
| Intergovernmental | 239,700 | 280,700 | 265,187 | (15,513) |
| Interest | 94,000 | 94,000 | 57,833 | (36,167) |
| Contributions and Donations | - | - | 4,005 | 4,005 |
| Other | 142,500 | 432,945 | 416,129 | (16,816) |
| <i>Total Revenues</i> | <u>3,890,542</u> | <u>4,221,987</u> | <u>4,068,662</u> | <u>(153,325)</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 1,848,645 | 1,892,090 | 1,641,254 | 250,836 |
| Security of Persons and Property | 2,518,725 | 2,533,725 | 2,042,496 | 491,229 |
| Public Health | 31,000 | 31,000 | 28,208 | 2,792 |
| Leisure Time Services | - | - | 3,563 | (3,563) |
| Community Development | 96,350 | 96,350 | 89,217 | 7,133 |
| Debt Service: | | | | |
| Principal Retirement | 96,600 | 96,600 | 97,220 | (620) |
| Interest and Fiscal Charges | 8,800 | 8,800 | 10,170 | (1,370) |
| <i>Total Expenditures</i> | <u>4,600,120</u> | <u>4,658,565</u> | <u>3,912,128</u> | <u>746,437</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(709,578)</u> | <u>(436,578)</u> | <u>156,534</u> | <u>593,112</u> |
| Other Financing (Uses) | | | | |
| Transfers Out | (13,900) | (36,400) | (36,396) | 4 |
| <i>Net Change in Fund Balance</i> | <u>(723,478)</u> | <u>(472,978)</u> | <u>120,138</u> | <u>593,116</u> |
| <i>Fund Balance Beginning of Year</i> | 979,103 | 979,103 | 979,103 | - |
| Prior Year Encumbrances Appropriated | 12,176 | 12,176 | 12,176 | - |
| <i>Fund Balance End of Year</i> | <u>\$ 267,801</u> | <u>\$ 518,301</u> | <u>\$ 1,111,417</u> | <u>\$ 593,116</u> |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
FEMA 2 Fund
For the Year Ended December 31, 2020

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---------------------------------------|------------------|------------|------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ - | \$ 879,589 | \$ 879,589 | \$ - |
| Expenditures | | | | |
| Current: | | | | |
| General Government | | | | |
| Judicial Systems | - | 516,352 | 247,383 | 268,969 |
| Security of Persons and Property | - | 315,839 | 315,839 | - |
| Community and Economic Development | - | 47,398 | 47,398 | - |
| <i>Total Expenditures</i> | - | 879,589 | 610,620 | 268,969 |
| <i>Net Change in Fund Balance</i> | - | - | 268,969 | 268,969 |
| <i>Fund Balance Beginning of Year</i> | - | - | - | - |
| <i>Fund Balance End of Year</i> | \$ - | \$ - | \$ 268,969 | \$ 268,969 |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2020

| | Enterprise Funds | | | | Governmental Activities |
|---|----------------------|---------------------|-------------------|----------------------|----------------------------|
| | Water | Sewer | Sanitation | Total | Internal Service Fund |
| Assets | | | | | |
| <i>Current Assets:</i> | | | | | |
| Equity in Pooled Cash and Investments | \$ 860,716 | \$ 2,385,670 | \$ 439,370 | \$ 3,685,756 | \$ 433,628 |
| Cash and Investments in Segregated Accounts | - | - | - | - | 1,193 |
| Accounts Receivable | 375,779 | 330,258 | 133,029 | 839,066 | - |
| Materials and Supplies Inventory | 147,685 | 15,265 | 4,143 | 167,093 | - |
| <i>Total Current Assets</i> | <u>1,384,180</u> | <u>2,731,193</u> | <u>576,542</u> | <u>4,691,915</u> | <u>434,821</u> |
| <i>Non-Current Assets:</i> | | | | | |
| Non-Depreciable Capital Assets | - | 24,984,016 | - | 24,984,016 | - |
| Depreciable Capital Assets, Net | 25,583,345 | 12,309,569 | 488,478 | 38,381,392 | - |
| <i>Total Non-Current Assets</i> | <u>25,583,345</u> | <u>37,293,585</u> | <u>488,478</u> | <u>63,365,408</u> | <u>-</u> |
| <i>Total Assets</i> | <u>26,967,525</u> | <u>40,024,778</u> | <u>1,065,020</u> | <u>68,057,323</u> | <u>434,821</u> |
| Deferred Outflows of Resources | | | | | |
| Pension | 121,423 | 72,754 | 61,560 | 255,737 | - |
| OPEB | 79,671 | 47,742 | 40,667 | 168,080 | - |
| <i>Total Deferred Outflows of Resources</i> | <u>201,094</u> | <u>120,496</u> | <u>102,227</u> | <u>423,817</u> | <u>-</u> |
| Liabilities | | | | | |
| <i>Current Liabilities:</i> | | | | | |
| Accounts Payable | 22,243 | 40,187 | 4,038 | 66,468 | 3,413 |
| Accrued Wages | 7,419 | 5,904 | 3,814 | 17,137 | - |
| Contracts Payable | - | 113,802 | - | 113,802 | - |
| Intergovernmental Payable | 6,011 | 4,175 | 2,677 | 12,863 | - |
| Claims Payable | - | - | - | - | 96,103 |
| Compensated Absences Payable | 24,559 | 26,210 | 11,570 | 62,339 | - |
| OPWC Loans Payable | 42,093 | 45,000 | - | 87,093 | - |
| OWDA Loans Payable | 502,917 | 348,139 | - | 851,056 | - |
| <i>Total Current Liabilities</i> | <u>605,242</u> | <u>583,417</u> | <u>22,099</u> | <u>1,210,758</u> | <u>99,516</u> |
| <i>Long-Term Liabilities:</i> | | | | | |
| Compensated Absences Payable - Net of Current Portion | 45,607 | 18,320 | 2,293 | 66,220 | - |
| OPWC Loans Payable - Net of Current Portion | 980,854 | 742,500 | - | 1,723,354 | - |
| OWDA Loans Payable - Net of Current Portion | 12,968,440 | 30,520,508 | - | 43,488,948 | - |
| Net Pension Liability | 695,317 | 451,956 | 382,424 | 1,529,697 | - |
| Net OPEB Liability | 456,921 | 296,999 | 251,306 | 1,005,226 | - |
| <i>Total Long-Term Liabilities</i> | <u>15,147,139</u> | <u>32,030,283</u> | <u>636,023</u> | <u>47,813,445</u> | <u>-</u> |
| <i>Total Liabilities</i> | <u>15,752,381</u> | <u>32,613,700</u> | <u>658,122</u> | <u>49,024,203</u> | <u>99,516</u> |
| Deferred Inflows of Resources | | | | | |
| Pension | 159,981 | 103,985 | 87,985 | 351,951 | - |
| OPEB | 72,260 | 46,985 | 39,502 | 158,747 | - |
| <i>Total Deferred Inflows of Resources</i> | <u>232,241</u> | <u>150,970</u> | <u>127,487</u> | <u>510,698</u> | <u>-</u> |
| Net Position | | | | | |
| Net Investment in Capital Assets | 11,089,041 | 5,523,634 | 488,478 | 17,101,153 * | - |
| Unrestricted (Deficit) | 94,956 | 1,856,970 | (106,840) | 1,845,086 | 335,305 |
| <i>Total Net Position</i> | <u>\$ 11,183,997</u> | <u>\$ 7,380,604</u> | <u>\$ 381,638</u> | <u>\$ 18,946,239</u> | <u>\$ 335,305</u> |

*Debt related to certain business-type assets are included in the governmental activities. This debt has not been included in the net investment in capital assets for governmental or business-type activities, but has been reflected in the entity-wide total. See Note 9.

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2020

| | Enterprise | | | | Governmental Activities |
|---|----------------------|---------------------|-------------------|----------------------|----------------------------|
| | Water | Sewer | Sanitation | Total | Internal Service Fund |
| Operating Revenues | | | | | |
| Charges for Services | \$ 2,784,679 | \$ 2,191,216 | \$ 819,112 | \$ 5,795,007 | \$ 1,225,983 |
| Other | 12,473 | 6,905 | 24,724 | 44,102 | - |
| <i>Total Operating Revenues</i> | <u>2,797,152</u> | <u>2,198,121</u> | <u>843,836</u> | <u>5,839,109</u> | <u>1,225,983</u> |
| Operating Expenses | | | | | |
| Personal Services | 839,933 | 554,422 | 477,657 | 1,872,012 | - |
| Contractual Services | 331,002 | 343,961 | 241,343 | 916,306 | 299,504 |
| Materials and Supplies | 206,650 | 191,845 | 121,976 | 520,471 | - |
| Claims | - | - | - | - | 894,069 |
| Depreciation | 1,043,275 | 442,103 | 76,119 | 1,561,497 | - |
| Other | 7,507 | 7,490 | 7,451 | 22,448 | 419 |
| <i>Total Operating Expenses</i> | <u>2,428,367</u> | <u>1,539,821</u> | <u>924,546</u> | <u>4,892,734</u> | <u>1,193,992</u> |
| <i>Operating Income (Loss)</i> | <u>368,785</u> | <u>658,300</u> | <u>(80,710)</u> | <u>946,375</u> | <u>31,991</u> |
| Non-Operating (Expenses) | | | | | |
| Loss on Sale of Capital Assets | - | - | (3,790) | (3,790) | - |
| Interest | (440,782) | (64,716) | - | (505,498) | - |
| <i>Total Non-Operating (Expenses)</i> | <u>(440,782)</u> | <u>(64,716)</u> | <u>(3,790)</u> | <u>(509,288)</u> | <u>-</u> |
| <i>Income (Loss) Before Capital Contributions and Transfers</i> | <u>(71,997)</u> | <u>593,584</u> | <u>(84,500)</u> | <u>437,087</u> | <u>31,991</u> |
| Capital Contributions | - | - | 60,053 | 60,053 | - |
| Transfers In | 12,713 | 22,500 | - | 35,213 | - |
| Transfers Out | (499,430) | (6,947) | - | (506,377) | - |
| <i>Change in Net Position</i> | <u>(558,714)</u> | <u>609,137</u> | <u>(24,447)</u> | <u>25,976</u> | <u>31,991</u> |
| <i>Net Position Beginning of Year</i> | <u>11,742,711</u> | <u>6,771,467</u> | <u>406,085</u> | <u>18,920,263</u> | <u>303,314</u> |
| <i>Net Position End of Year</i> | <u>\$ 11,183,997</u> | <u>\$ 7,380,604</u> | <u>\$ 381,638</u> | <u>\$ 18,946,239</u> | <u>\$ 335,305</u> |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020

| | Enterprise Funds | | | | Governmental Activities |
|--|---------------------|---------------------|-------------------|---------------------|----------------------------|
| | Water | Sewer | Sanitation | Total | Internal Service Fund |
| Cash Flows from Operating Activities | | | | | |
| Cash Received from Customers | \$ 2,812,740 | \$ 2,159,461 | \$ 802,217 | \$ 5,774,418 | \$ 1,225,983 |
| Cash Received from Other Operating Receipts | 12,473 | 6,905 | 24,358 | 43,736 | - |
| Cash Payments to Suppliers for Goods and Services | (300,949) | (203,263) | (107,294) | (611,506) | - |
| Cash Payments to Employees for Services and Benefits | (739,304) | (511,342) | (436,722) | (1,687,368) | - |
| Cash Payments for Contractual Services | (309,379) | (350,254) | (259,395) | (919,028) | (298,168) |
| Cash Payments for Claims | - | - | - | - | (1,026,933) |
| Other Cash Payments | (7,507) | (7,490) | (7,451) | (22,448) | (419) |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | <u>1,468,074</u> | <u>1,094,017</u> | <u>15,713</u> | <u>2,577,804</u> | <u>(99,537)</u> |
| Cash Flows from Noncapital Financing Activities | | | | | |
| Transfers In | 12,713 | 22,500 | - | 35,213 | - |
| Transfers Out | (499,430) | (6,947) | - | (506,377) | - |
| <i>Net Cash Provided by (Used for) Noncapital Financing Activities</i> | <u>(486,717)</u> | <u>15,553</u> | <u>-</u> | <u>(471,164)</u> | <u>-</u> |
| Cash Flows from Capital and Related Financing Activities | | | | | |
| Proceeds of OWDA Loans | - | 13,331,254 | - | 13,331,254 | - |
| Acquisition of Capital Assets | (25,900) | (13,321,319) | (31,591) | (13,378,810) | - |
| Principal Payments on Debt | (508,752) | (367,183) | - | (875,935) | - |
| Interest Payments on Debt | (440,782) | (64,716) | - | (505,498) | - |
| <i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i> | <u>(975,434)</u> | <u>(421,964)</u> | <u>(31,591)</u> | <u>(1,428,989)</u> | <u>-</u> |
| <i>Net Increase (Decrease) in Cash and Investments</i> | 5,923 | 687,606 | (15,878) | 677,651 | (99,537) |
| <i>Cash and Investments Beginning of Year</i> | 854,793 | 1,698,064 | 455,248 | 3,008,105 | 534,358 |
| <i>Cash and Investments End of Year</i> | <u>\$ 860,716</u> | <u>\$ 2,385,670</u> | <u>\$ 439,370</u> | <u>\$ 3,685,756</u> | <u>\$ 434,821</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities | | | | | |
| Operating Income (Loss) | \$ 368,785 | \$ 658,300 | \$ (80,710) | \$ 946,375 | \$ 31,991 |
| Adjustments: | | | | | |
| Depreciation | 1,043,275 | 442,103 | 76,119 | 1,561,497 | - |
| (Increase) Decrease in Assets and Deferred Outflows: | | | | | |
| Accounts Receivable | 28,061 | (31,755) | (17,261) | (20,955) | - |
| Materials and Supplies Inventory | (39,562) | (2,715) | 15,940 | (26,337) | - |
| Deferred Outflows - Pension/OPEB | 168,878 | 99,383 | 92,046 | 360,307 | - |
| Increase (Decrease) in Liabilities and Deferred Inflows: | | | | | |
| Accounts Payable | (32,784) | (8,883) | (19,310) | (60,977) | 1,336 |
| Accrued Wages | (16,230) | (10,637) | (9,288) | (36,155) | - |
| Intergovernmental Payable | (2,633) | (7,611) | (1,520) | (11,764) | - |
| Contracts Payable | - | - | - | - | - |
| Claims Payable | - | - | - | - | (132,864) |
| Compensated Absences Payable | 25,597 | 5,161 | (5,917) | 24,841 | - |
| Deferred Inflows - Pension/OPEB | 204,808 | 132,750 | 119,681 | 457,239 | - |
| Net Pension Liability | (294,101) | (191,166) | (161,756) | (647,023) | - |
| Net OPEB Liability | 13,980 | 9,087 | 7,689 | 30,756 | - |
| <i>Net Cash Provided by (Used For) Operating Activities</i> | <u>\$ 1,468,074</u> | <u>\$ 1,094,017</u> | <u>\$ 15,713</u> | <u>\$ 2,577,804</u> | <u>\$ (99,537)</u> |

Noncash Capital Financing Activities:

During the year, governmental activities transferred \$60,053 in capital assets to the sanitation fund.
The City also purchased \$113,802 and \$948,187 of capital assets on account in 2020 and 2019, respectively.

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2020

| | <u>Custodial</u> |
|---|--------------------|
| Assets | |
| Cash and Investments in Segregated Accounts | <u>\$ 28,780</u> |
| Liabilities | |
| Due to Other Governments | <u>28,780</u> |
| Net Position | |
| <i>Total Net Position</i> | <u><u>\$ -</u></u> |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2020

| | Custodial |
|--|------------|
| Additions | |
| Fines & Forfeitures for Other Governments | \$ 715,394 |
| Deductions | |
| Fines & Forfeitures Distributions to Other Governments | 715,394 |
| <i>Change in Net Position</i> | - |
| <i>Net Position Beginning of Year</i> | - |
| <i>Net Position End of Year</i> | \$ - |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 1 -- DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

The City of Upper Sandusky (the City) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under the mayor-council form of charter government as approved on October 25, 1976. The City provides police protection within its boundaries and fire protection to its citizens and adjacent townships. The City provides basic utilities in the form of water, wastewater treatment and sanitation pick up. The City constructs and maintains streets and sidewalks within the City. The City also operates a swimming pool and maintains three parks.

Reporting Entity: A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financials 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; the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Components units may also include organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt or the levying of their taxes. The City has no component units.

The City's Municipal Court has been included in the City's financial statements as a custodial fund. The judge is an elected city official who has a fiduciary responsibility for the collection and distribution of court fees and fines.

The City participates in a public entity risk pool, the Public Entities Pool of Ohio. Note 6 to the financial statements provide additional information for this entity.

Management believes the financial statements included in this report represent all of the funds of the City over which the City has the ability to exercise direct operating control.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Following are the most significant of the City's accounting policies.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

A. 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 the fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" of revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

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

Debt related to certain business-type assets is included in the governmental activities. This debt has not been included in the invested in capital assets, net of related debt for the governmental or business-type activities but has been reflected in the entity-wide total. See Note 9.

Fund Financial Statements

During the year, the City segregates transactions related to certain City programs 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 a more detail level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. FUND ACCOUNTING

The City uses funds to report on financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Governmental Funds

Governmental funds focus 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 be or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for 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.

FEMA 2 Fund - The FEMA 2 fund accounts for federal emergency relief grants related to the Coronavirus (COVID-19) pandemic.

Capital Improvements Fund - The capital improvements fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.

The other governmental funds of the City are for grants and other resources, debt service, and capital projects to which the City is bound to observe constraints imposed upon the use of the resources.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and 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 City's major enterprise funds are:

Water Fund - This fund accounts for the financial transactions related to water operations of the City.

Sewer Fund - This fund accounts for the financial transactions related to the sewer treatment service operations of the City.

Sanitation Fund - This fund accounts for the financial transactions related to the refuse pickup operations of the City.

Internal Service Fund - The internal service fund accounts 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 only internal service fund accounts for a self-insurance program for employee medical benefits.

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Fiduciary Funds

Fiduciary funds 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. Presently, the City has no trust funds, investment trust funds or private-purpose trust funds. The City presently has one custodial fund for the Municipal Court.

C. MEASUREMENT FOCUS

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position.

Fund Financial Statements

All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only assets and deferred outflows of resources and liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and others 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 statements for governmental funds.

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

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

D. 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 in the presentation of expenses versus expenditures.

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For the Year Ended December 31, 2020

Revenues - Exchange and Non-exchange 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 a 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.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used of the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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, fines and forfeitures, entitlements, and state-levied locally shared taxes (including gasoline tax and motor vehicle license fees).

Deferred Inflows of Resources and Deferred Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent 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, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 11 and 12.

In addition to liabilities, the statements of financial position 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, payments in lieu of taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2020, but which were levied to finance 2021 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and 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 may include delinquent property taxes, income taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12).

City of Upper Sandusky
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For the Year Ended December 31, 2020

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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. BUDGET

An annual appropriated budget is required by law to be prepared for all funds of the City other than custodial funds. Council passes appropriations at the fund, department and object level. Council must approve any revisions in the budget that alter appropriations at this legal level of control.

The following are the procedures used by the City in establishing the budgetary data reported in the basic financial statements:

Tax Budget

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The 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 projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing 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 appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the first and final amended official certificate of estimated resources issued during 2020.

Appropriations

A temporary appropriation resolution to control expenditures may be passed on or about January 1 of each year for the period of January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution fixes spending authority at the fund, department, and object level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. Several supplemental

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appropriation ordinances were legally enacted by Council during the year. The budget figures, which appear in the statement of budgetary comparisons, present the original and final appropriation amounts including all amendments and modifications.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

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 appropriations. The encumbered appropriation balance is carried forward to the succeeding year and need not be reappropriated.

F. DEPOSITS

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund balance integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in pooled cash and investments" on the combined balance sheet.

During 2020, investments were limited to CDARS. Except for nonparticipating investment contracts, investments are reported at fair value. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during year 2020 amounted to \$57,833 which included \$48,291 assigned from other funds of the City.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented on the statement of fiduciary assets and liabilities as "Cash and Investments in Segregated Accounts" since they are not required to be deposited into the City's treasury.

For presentation on the financial statements, investments of the cash management pool and investments with a 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 that are not purchased from the pool are reported as "investments."

G. INVENTORIES

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

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On the 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 consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reporting of inventories on the accrual basis is expensed when used.

H. 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 government funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000. Public domain ("infrastructure") general capital assets consisting of roads, highways, tunnels, bridges, curbs, sidewalks, fire hydrants, guard rails, landscaping, streets, drainage systems and lighting systems have been capitalized under requirements of the Governmental Accounting Standards Board. Improvements are capitalized and the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets other than land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Buildings and Improvements | 20 - 40 Years |
| Machinery and Equipment | 5 - 20 Years |
| Vehicles | 8 Years |
| Infrastructure | 50 Years |

I. INTERFUND BALANCES

On fund financial statements, transactions representing services rendered between funds are classified as "Due to Other Funds" and "Due from Other Funds". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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J. COMPENSATED ABSENCES

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

The City reports compensated absences in accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to payment are attributable to services already rendered; and it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

Sick leave benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year-end taking into consideration any limits specified in the City's termination policy. The City records a liability for all accumulated unused vacation time when earned for all employees. The entire compensated absence liability is reported on the government-wide financial statements.

K. PENSIONS/OTHER POSTEMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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.

L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements; and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. 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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal 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.

M. FUND BALANCE

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

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Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually 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 placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or 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 the City. The Council has by resolution authorized the auditor to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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 used only to report a deficit 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 either restricted or unrestricted (committed, assigned and unassigned) amounts are 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.

N. NET POSITION

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At year-end, there was no net position restricted for enabling legislation.

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

O. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary funds. For the City, these revenues are service charges for water, sewer, sanitation, and self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenue and expenses not meeting these definitions are classified as non-operating.

P. CONTRIBUTION OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grant or outside contributions of resources restricted to capital acquisition and construction.

Q. INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the governmental-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 transfers in or out. Transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expense in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

R. EXTRAORDINARY AND SPECIAL ITEMS

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2020.

S. ESTIMATES

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

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NOTE 3 -- BUDGET 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 and disbursements. The “statement of revenue, expenditures, and changes in fund balance - budget (non-GAAP basis) and actual” 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. 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 a restriction, commitment or assignment of fund balance for that portion of outstanding encumbrances not already recognized as payables (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general and parks and recreation funds are as follows:

| Net Change in Fund Balance | | |
|---|---------------------|--------------------|
| | <u>General Fund</u> | <u>FEMA 2 Fund</u> |
| GAAP Basis | \$ 315,172 | \$ 281,908 |
| Net Adjustment for Revenue Accruals | (29,126) | - |
| Net Adjustment for Expenditure Accruals | (113,716) | 161 |
| Adjustment for Encumbrances | (52,192) | (13,100) |
| Budget Basis | \$ 120,138 | \$ 268,969 |

NOTE 4 -- DEPOSITS AND INVESTMENTS

State statutes classify deposits 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 two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the City's 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.

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

1. United States Treasury bills, bonds, notes 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 obligation or security issued by any federal government agency or instrumentality, including but not limited to the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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 2 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;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 40 percent of the interim monies available for investment at any one time for a period not to exceed one hundred eighty days and two hundred and seventy days, respectively.
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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. 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 the delivery of the securities representing the

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investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand

At December 31, 2019 the City had \$675 in undeposited cash on hand, which is included as part of “Equity in Pooled Cash and Investments.”

Deposits

At year-end, \$2,459,381 of the City’s bank balance of \$7,674,494 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions’ trust department in the City’s name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required 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.

NOTE 5 -- RECEIVABLES

Receivables at December 31, 2020, consisted primarily of municipal income taxes, property and other taxes, due from other governments arising from entitlements, shared revenues, accounts (billings for utility service), revenue in lieu of taxes, and notes receivable. No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2020 for real and public utility property taxes represents collections of the 2019 taxes.

2020 real property taxes were levied after October 1, 2020 on the assessed value as of January 1, 2020, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2020 real property taxes are collected in and intended to finance 2021.

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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 tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2020 public utility property taxes which became a lien December 31, 2019, are levied after October 1, 2020, and are collected in 2021 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2020, was \$3.80 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2020 property tax receipts were based are as follows:

| <u>Category</u> | <u>Assessed Value</u> |
|-----------------------------|-----------------------|
| Real Property | \$ 131,036,770 |
| Public Utilities - Real | 30,130 |
| Public Utilities - Personal | <u>5,948,100</u> |
| | <u>\$ 137,015,000</u> |

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2020, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2020 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Income Taxes

The City levies and collects an income tax of 1 percent on all income earned within the City as well as on incomes of residents earned outside the City. 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. Council has authority to establish re-allocation of income tax as needed. After defraying all necessary costs of collecting, administering, and enforcing the tax, the balance shall be allocated 72 percent to the general fund, 16 percent to the parks and recreation fund and 12 percent to the capital improvement fund.

NOTE 6 – RISK MANAGEMENT

Risk Pool Membership

The City is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the City’s policy.

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The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

| | |
|-----------------------|---------------|
| | <u>2020</u> |
| Cash and Investments | \$ 40,318,971 |
| Actuarial Liabilities | \$ 14,111,510 |

There has not been a significant reduction in commercial coverage from the prior year and settled claims have not exceeded coverage in any of the last three years.

Workers Compensation

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

Health and Prescription Coverage

Effective January 1, 2016 the City began providing medical insurance to its employees through a self-insurance plan. The City pays a monthly administrative premium, including a stop-loss fee, for the self-insurance plan. The City contracts with a third-party administrator to direct this program. During 2019, self-insurance was in effect for claims up to \$35,000 per covered individual and \$1,067,861 in aggregate. Any claims exceeding these thresholds are covered by a stop-loss insurance policy.

At December 31, 2020, \$96,103 has been accrued for self-insurance claims. The claims liability reported in the self-insurance fund is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. This represents estimates to be paid for medical and prescription unpaid claims costs, including an estimate of costs relating to incurred but not yet reported claims based on the current information available.

A reconciliation of the changes in the balance of claims liabilities during 2019 and 2020 follows:

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Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

| | | Balance Beginning of Year | Current Year Claims | Claims Payments | Balance End of Year |
|------|----|---------------------------------|------------------------|--------------------|------------------------|
| 2019 | \$ | 31,504 | \$ 968,927 | \$ 771,464 | \$ 228,967 |
| 2020 | | 228,967 | 894,069 | 1,026,933 | 96,103 |

NOTE 7 -- CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020:

| | Balance 12/31/2019 | Additions | Deletions | Transfers | Balance 12/31/2020 |
|---|-----------------------|---------------------|--------------------|--------------------|-----------------------|
| Governmental Activities | | | | | |
| <i>Capital Assets, Not Being Depreciated</i> | | | | | |
| Land | \$ 759,000 | \$ - | \$ - | \$ - | \$ 759,000 |
| <i>Capital Assets, Being Depreciated</i> | | | | | |
| Buildings and Improvements | 4,901,670 | - | - | - | 4,901,670 |
| Machinery and Equipment | 1,508,689 | 139,921 | (104,432) | (215,633) | 1,328,545 |
| Infrastructure | 27,125,075 | - | - | - | 27,125,075 |
| Vehicles | 2,087,131 | 81,586 | (63,878) | - | 2,104,839 |
| <i>Total Capital Assets, Being Depreciated</i> | <u>35,622,565</u> | <u>221,507</u> | <u>(168,310)</u> | <u>(215,633)</u> | <u>35,460,129</u> |
| <i>Accumulated Depreciation</i> | | | | | |
| Buildings and Improvements | (3,749,699) | (115,489) | - | - | (3,865,188) |
| Machinery and Equipment | (1,036,257) | (57,957) | 44,651 | 155,580 | (893,983) |
| Infrastructure | (12,908,478) | (607,234) | - | - | (13,515,712) |
| Vehicles | (1,090,602) | (189,557) | 43,316 | - | (1,236,843) |
| <i>Total Accumulated Depreciated</i> | <u>(18,785,036)</u> | <u>(970,237)</u> | <u>87,967</u> | <u>155,580</u> | <u>(19,511,726)</u> |
| <i>Total Capital Assets Being Depreciated, Net</i> | <u>16,837,529</u> | <u>(748,730)</u> | <u>(80,343)</u> | <u>(60,053)</u> | <u>15,948,403</u> |
| <i>Governmental Activities, Capital Assets, Net</i> | <u>\$ 17,596,529</u> | <u>\$ (748,730)</u> | <u>\$ (80,343)</u> | <u>\$ (60,053)</u> | <u>\$ 16,707,403</u> |

General Government:

| | |
|----------------------------------|-------------------|
| Legislative and Executive | \$ 18,103 |
| Judicial | 15,077 |
| Security of Persons and Property | 165,641 |
| Transportation | 591,593 |
| Leisure Time Activities | 179,823 |
| Total Depreciation | <u>\$ 970,237</u> |

City of Upper Sandusky
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

| | Balance 12/31/2019 | Additions | Deletions | Transfers | Balance 12/31/2020 |
|--|-----------------------|----------------------|-------------------|------------------|-----------------------|
| Business-Type Activities | | | | | |
| <i>Capital Assets, Not Being Depreciated</i> | | | | | |
| Construction in Progress | \$ 12,509,082 | \$ 12,474,934 | \$ - | \$ - | \$ 24,984,016 |
| <i>Capital Assets, Being Depreciated</i> | | | | | |
| Buildings and Improvements | 20,858,204 | - | - | - | 20,858,204 |
| Machinery and Equipment | 5,431,669 | 69,491 | - | 215,633 | 5,716,793 |
| Infrastructure | 37,494,581 | - | - | - | 37,494,581 |
| Vehicles | 1,396,888 | - | (37,890) | - | 1,358,998 |
| <i>Total Capital Assets, Being Depreciated</i> | <u>65,181,342</u> | <u>69,491</u> | <u>(37,890)</u> | <u>215,633</u> | <u>65,428,576</u> |
| <i>Accumulated Depreciation</i> | | | | | |
| Buildings and Improvements | (5,986,025) | (516,463) | - | - | (6,502,488) |
| Machinery and Equipment | (3,037,602) | (263,372) | - | (155,580) | (3,456,554) |
| Infrastructure | (15,652,241) | (680,432) | - | - | (16,332,673) |
| Vehicles | (688,339) | (101,230) | 34,100 | - | (755,469) |
| <i>Total Accumulated Depreciated</i> | <u>(25,364,207)</u> | <u>(1,561,497)</u> | <u>34,100</u> | <u>(155,580)</u> | <u>(27,047,184)</u> |
| <i>Total Capital Assets Being Depreciated, Net</i> | <u>39,817,135</u> | <u>(1,492,006)</u> | <u>(3,790)</u> | <u>60,053</u> | <u>38,381,392</u> |
| <i>Business-Type Activities, Capital Assets, Net</i> | <u>\$ 52,326,217</u> | <u>\$ 10,982,928</u> | <u>\$ (3,790)</u> | <u>\$ 60,053</u> | <u>\$ 63,365,408</u> |

NOTE 8 -- COMPENSATED ABSENCES

The City accrues unpaid vacation and compensation time as it is earned and certain portions of sick leave pay as payment becomes probable.

Sick leave accumulates at the rate of .0575 hours of sick leave for each hour of work completed with a maximum of 80 hours per pay period. Sick leave is accumulated and may be converted into cash upon retirement with more than ten years of service at the rate of 30 percent for all employees of the police and fire department to a maximum of 600 hours and a maximum of 480 hours for all other personnel. Individuals leaving the employment of the City prior to retirement or at retirement with less than ten years of service lose their accumulated sick leave. At December 31, 2020, the maximum vested liability to the City for accumulated unpaid sick leave, assuming the City would have to pay all accumulated sick leave if the City ceased operations is estimated at \$201,831. A liability has been recognized in the accompanying financial statements for sick leave for only the employees who have ten years of service and are age 50 or older, or have thirty years with local government employment.

A liability for accrued vacation and holidays of \$207,438 has been recognized. Vacation is accumulated based upon length of service as follows:

City of Upper Sandusky
Wyandot County, Ohio
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For the Year Ended December 31, 2020

| Employee Service | Vacation Credit |
|------------------|-----------------|
| After 1 year | 2 weeks |
| After 8 years | 3 weeks |
| After 15 years | 4 weeks |
| After 22 years | 5 weeks |
| After 29 years | 6 weeks |

Vacation leave must be used within the current calendar year unless the employee is unable to use his vacation due to the operational needs of the Employer. Without this, such excess leave is eliminated from the employee's leave balance. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation.

NOTE 9 -- LONG TERM LIABILITIES

The City's long-term obligations at year-end and a schedule of current year activity follows:

| | Balance 12/31/2019 | Additions | Deductions | Balance 12/30/2020 | Amount Due Within One Year |
|--|-----------------------|-----------|------------|-----------------------|----------------------------------|
| Governmental Activities: | | | | | |
| <i>General Obligation Bonds:</i> | | | | | |
| Capital Improvement Bonds - 2005 | \$ 220,000 | \$ - | \$ 32,000 | \$ 188,000 * | \$ 33,000 |
| <i>Direct Placements:</i> | | | | | |
| Fire Truck Bond, Series 2014 | 221,656 | - | 41,560 | 180,096 | 42,911 |
| Fire Truck Bond, Series 2017 | 283,800 | - | 31,600 | 252,200 | 32,700 |
| <i>Total Direct Placements</i> | 505,456 | - | 73,160 | 432,296 | 75,611 |
| <i>Direct Borrowings:</i> | | | | | |
| <i>OWDA Loan:</i> | | | | | |
| 2002 Reservoir Construction | 1,540,960 | - | 415,278 | 1,125,682 * | 434,813 |
| <i>OPWC Loans:</i> | | | | | |
| 2004 Rock Run Road Improvements | 19,100 | - | 1,910 | 17,190 * | 3,820 |
| 2005 CSO Removal | 69,536 | - | 6,321 | 63,215 * | 12,643 |
| 2011 Commerce Drive Storm Drainage | 189,459 | - | 4,119 | 185,340 * | 8,236 |
| <i>Total OPWC Loans</i> | 278,095 | - | 12,350 | 265,745 | 24,699 |
| <i>Total Direct Borrowings</i> | 1,819,055 | - | 427,628 | 1,391,427 | 459,512 |
| <i>Other Long-Term Obligations:</i> | | | | | |
| Net Pension Liability | 5,780,099 | - | 1,336,679 | 4,443,420 | - |
| Net OPEB Liability | 1,576,010 | 69,433 | - | 1,645,443 | - |
| Compensated Absences | 218,796 | 196,144 | 134,229 | 280,711 | 145,100 |
| Capital Leases | 36,054 | 82,132 | 54,985 | 63,201 | 27,598 |
| <i>Total Other Long-Term Obligations</i> | 7,610,959 | 347,709 | 1,525,893 | 6,432,775 | 172,698 |
| Total Governmental Activities | 10,155,470 | 347,709 | 2,058,681 | 8,444,498 | 740,821 |

*These debt issues are recorded in governmental activities to finance assets of the business-type activities. See notation on pages 13 and 21 for a further description of the presentation on the statement of net position.

City of Upper Sandusky
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

| | Balance 12/31/2019 | Additions | Deductions | Balance 12/30/2020 | Amount Due Within One Year |
|--|-----------------------|-------------------|------------------|-----------------------|----------------------------------|
| Business-Type Activities: | | | | | |
| <i>Direct Borrowings:</i> | | | | | |
| <i>OWDA Loans:</i> | | | | | |
| 2010 WTP & Storage Tower | \$ 12,291,016 | \$ - | \$ 399,992 | \$ 11,891,024 | \$ 413,342 |
| 2013 Warpole Waterlines installed | 444,101 | - | 14,168 | 429,933 | 14,551 |
| 2013 NE Quadrant Waterlines | 1,223,946 | - | 73,546 | 1,150,400 | 75,024 |
| 2016 Sewer Separation | 6,557,647 | - | 344,683 | 6,212,964 | 348,139 |
| 2019 WWTP Upgrades | 11,324,429 | 13,331,254 | - | 24,655,683 | - |
| <i>Total OWDA Loans</i> | <u>31,841,139</u> | <u>13,331,254</u> | <u>832,389</u> | <u>44,340,004</u> | <u>851,056</u> |
| <i>OPWC Loans:</i> | | | | | |
| 2013 Elevated Tank Painting | 408,332 | - | 8,333 | 399,999 | 16,667 |
| 2013 Waterline replacement | 288,309 | - | 5,766 | 282,543 | 11,532 |
| 2013 Waterline replacement | 347,352 | - | 6,947 | 340,405 | 13,894 |
| 2016 Sewer Separation | 810,000 | - | 22,500 | 787,500 | 45,000 |
| <i>Total OPWC Loans</i> | <u>1,853,993</u> | <u>-</u> | <u>43,546</u> | <u>1,810,447</u> | <u>87,093</u> |
| <i>Total Direct Borrowings</i> | <u>33,695,132</u> | <u>13,331,254</u> | <u>875,935</u> | <u>46,150,451</u> | <u>938,149</u> |
| <i>Other Long-Term Obligations</i> | | | | | |
| Net Pension Liability | 2,176,720 | - | 647,023 | 1,529,697 | - |
| Net OPEB Liability | 974,470 | 30,756 | - | 1,005,226 | - |
| Compensated Absences | 103,718 | 78,646 | 53,805 | 128,559 | 62,339 |
| <i>Total Other Long-Term Obligations</i> | <u>3,254,908</u> | <u>109,402</u> | <u>700,828</u> | <u>2,663,482</u> | <u>62,339</u> |
| Total Business-Type Activities | <u>36,950,040</u> | <u>13,440,656</u> | <u>1,576,763</u> | <u>48,813,933</u> | <u>1,000,488</u> |

Governmental Activities

General Obligation Bonds

Outstanding general obligation bonds consist of WWTP improvements. General obligation bonds are a direct obligation of the City for which its full faith, credit and resources are pledged and are payable from the general and capital improvement funds.

The Capital Improvement Bond, Series 2005 was issued for the purpose of paying the costs of improvements East Wyandot Avenue. This bond is a direct obligation of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City in the capital improvement fund. The interest on this bond is 3 percent to 4.8 percent and is scheduled to mature in August 2025.

Direct Placements

The Fire Truck Bond-Series 2014 financed the purchase of a 2013 Pierce Velocity Chassis fire truck. This bond is a direct obligation of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City in the general fund. The interest on this bond is 3.25 percent and is scheduled to mature in February 2024.

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The Fire Truck Bond-Series 2017 financed the purchase of a 2012 Pierce Ladder fire truck. This bond is a direct obligation of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City in the capital improvement fund. The interest on this bond is 3.25 percent and is scheduled to mature in October 2027.

The Fire Truck Bonds are a direct obligation of the City for which its full faith, credit and resources are pledged and are payable from the general and capital improvement funds.

Direct Borrowings

The OWDA loan financed the 2002 reservoir construction project in the amount of \$6,234,116. The retirement of this 4.65 percent interest loan will be made by the capital improvement fund. This loan is scheduled to mature on July 1, 2023.

The OPWC loan financed the 2004 Rock Run Road improvements in the amount of \$76,400. The retirement of this 0.0 percent interest loan will be made by the capital improvement fund. This loan is scheduled to mature on July 1, 2024.

The OPWC loan financed the 2005 Crawford/Hicks CSO removal in the amount of \$252,849. The retirement of this 0.0 percent interest loan will be made by the capital improvement fund. This loan is scheduled to mature on January 1, 2025.

The OPWC loan financed the 2011 project entitled Commerce Drive Storm Drainage improvements in the amount of \$247,119. The retirement of this 0.0 percent interest loan will be made by the capital improvement fund. This loan is scheduled to mature on July 1, 2042.

Business-type Activities

Direct Borrowings

The OWDA loan financed the new 2010 water treatment and storage tower in the amount of \$15,209,357. The retirement of this 3.31 percent interest loan will be made by the water fund. This loan is scheduled to mature on July 1, 2041.

The OWDA loan financed the 2013 waterline project on Warpole Street in the amount of \$533,351. The retirement of this 2.69 percent interest loan will be made by the water fund. This loan is scheduled to mature on January 1, 2043.

The OWDA loan financed the 2013 waterline project on the NE Quadrant and tank painting in the amount of \$1,603,297. The retirement of this 2 percent interest loan will be made by the water fund. This loan is scheduled to mature on July 1, 2034.

The OWDA loan financed the 2016 sewer separation on various streets in the amount of \$7,389,021. The retirement of this 1.0 percent interest loan will be made by the sewer fund. This loan is scheduled to mature on July 1, 2037.

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The OWDA loan financed the 2019 wastewater treatment plant upgrades in the amount of \$27,257,956, of which \$100,000 of principal has been forgiven. As of December 31, 2020 \$24,655,683 has been disbursed. No amortization schedule is available. The retirement of this 0.01 percent interest loan will be made by the sewer fund.

In the event of default, as defined by each OWDA loan agreement, the lender may declare the full amount of the unpaid Project Participation Principal amount immediately due and payable and require the County to pay any fines or penalties incurred with interest.

The OPWC loan financed the 2013 project entitled Elevated tank repainting in the amount of \$500,000. The retirement of this 0.0 percent interest loan will be made by the water fund with bi-annual payments of \$8,333. This loan is scheduled to mature on January 1, 2044.

The OPWC loan financed the various 2013 waterline projects in the amount of \$345,969. The retirement of this 0.0 percent interest loan will be made by the water fund with bi-annual payments of \$5,766. This loan is scheduled to mature on July 1, 2044.

The OPWC loan financed the various 2013 waterline projects in the amount of \$416,822. The retirement of this 0.0 percent interest loan will be made by the water fund with bi-annual payments of \$6,947. This loan is scheduled to mature on July 1, 2044.

The OPWC loan financed the 2016 sewer separation on various streets in the amount of \$900,000. The retirement of this 0.0 percent interest loan will be made by the sewer fund with bi-annual payments of \$22,500. This loan is scheduled to mature on January 1, 2037.

In the event of default, as defined by each OPWC loan agreement, the amount of default will be subject to 8 percent interest on all amounts due from date of default. Additionally, the Lender may declare all amounts immediately due and payable or require the County treasurer to pay the amounts due from funds appropriated to the county's undivided local government fund. The lender will also be entitled to collect any cost incurred in the event of default.

The capital leases for governmental activities will be paid from the general and capital improvement funds; the business-type activities lease will be paid from the capital improvement fund. Compensated absences will be paid from the funds which the employee's salaries are paid, typically the general fund, the water fund, the sewer fund and the sanitation fund. There are no repayment schedules for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the general fund and water, sewer, and sanitation funds. For additional information related to the net pension liability and net OPEB liability see Notes 11 and 12.

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2020 are as follows:

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| Year Ending December 31, | Governmental Activities | | | | | | |
|-----------------------------|-------------------------|------------------|-------------------|-------------------|------------------|---------------------|-------------------|
| | OWDA Loans | | OPWC Loans | Bonds | | Totals | |
| | Principal | Interest | Principal | Principal | Interest | Principal | Interest |
| 2021 | \$ 434,813 | \$ 40,730 | \$ 24,699 | \$ 108,611 | \$ 22,603 | \$ 568,123 | \$ 63,333 |
| 2022 | 455,267 | 23,134 | 24,700 | 113,006 | 18,653 | 592,973 | 41,787 |
| 2023 | 235,602 | 4,712 | 24,700 | 118,546 | 14,499 | 378,848 | 19,211 |
| 2024 | - | - | 24,700 | 123,033 | 10,098 | 147,733 | 10,098 |
| 2025 | - | - | 22,790 | 79,200 | 5,457 | 101,990 | 5,457 |
| 2026-2030 | - | - | 41,185 | 77,900 | 3,191 | 119,085 | 3,191 |
| 2031-2035 | - | - | 41,187 | - | - | 41,187 | - |
| 2036-2040 | - | - | 41,190 | - | - | 41,190 | - |
| 2041-2045 | - | - | 20,594 | - | - | 20,594 | - |
| | <u>\$ 1,125,682</u> | <u>\$ 68,576</u> | <u>\$ 265,745</u> | <u>\$ 620,296</u> | <u>\$ 74,501</u> | <u>\$ 2,011,723</u> | <u>\$ 143,077</u> |

| Year Ending December 31, | Business-Type Activities | | | | |
|-----------------------------|--------------------------|---------------------|---------------------|----------------------|---------------------|
| | OWDA Loans | | OPWC Loans | Total | |
| | Principal | Interest | Principal | Principal | Interest |
| 2021 | \$ 851,056 | \$ 485,565 | \$ 87,093 | \$ 938,149 | \$ 485,565 |
| 2022 | 870,243 | 466,378 | 87,093 | 957,336 | 466,378 |
| 2023 | 889,966 | 446,654 | 87,093 | 977,059 | 446,654 |
| 2024 | 910,243 | 425,678 | 87,093 | 997,336 | 425,678 |
| 2025 | 931,089 | 405,531 | 87,093 | 1,018,182 | 405,531 |
| 2026-2030 | 4,989,371 | 1,693,738 | 435,465 | 5,424,836 | 1,693,738 |
| 2031-2035 | 5,458,970 | 1,077,645 | 435,464 | 5,894,434 | 1,077,645 |
| 2036-2040 | 4,337,818 | 424,092 | 322,965 | 4,660,783 | 424,092 |
| 2041-2045 | 445,565 | 8,245 | 181,088 | 626,653 | 8,245 |
| | <u>\$ 19,684,321</u> | <u>\$ 5,433,526</u> | <u>\$ 1,810,447</u> | <u>\$ 21,494,768</u> | <u>\$ 5,433,526</u> |

The above principal and interest requirements for OWDA loans exclude the loan for the wastewater treatment plant upgrades, as an amortization schedule is not yet available.

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$46,150,451 of Ohio Public Works Commission (OPWC) and Ohio Water Development Authority (OWDA). Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which were 47 percent. The total principal and interest remaining to be paid on the loans is \$51,583,973. This excludes interest applicable to the OWDA loan for wastewater treatment plant upgrades as an amortization schedule is not available. Principal and interest paid for the current year and total net revenues were \$1,380,167 and \$2,923,659, respectively.

NOTE 10 -- CAPITAL LEASES

During 2018, the City entered into a lease agreement as lessee for financing the acquisition of two police cruisers and equipment. This lease agreement qualifies as a capital lease for accounting purposes (purchase option at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments of as of the date of inception. The cost of the capital lease is included in

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the governmental activities. The original cost of the assets acquired under the capital lease and included in the governmental activities was \$73,464 with accumulated depreciation of \$20,508.

During 2020, the City entered into a lease agreement as lessee for financing the acquisition of two police cruisers and equipment. This lease agreement qualifies as a capital lease for accounting purposes (purchase option at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments of as of the date of inception. The cost of the capital lease is included in the governmental activities. The original cost of the assets acquired under the capital lease and included in the governmental activities was \$82,132 with accumulated depreciation of \$4,590.

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at December 31, 2020:

| Year Ending December 31, | Governmental Activities |
|--|----------------------------|
| 2021 | \$ 32,698 |
| 2022 | 32,697 |
| 2023 | 3,670 |
| 2024 | 3,670 |
| Total Minimum Lease Payments | 72,735 |
| Less Amount Representing Interest | (9,534) |
| Present Value of Future Minimum Lease Payments | \$ 63,201 |

NOTE 11 -- DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability

Pensions and OPEB are components of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions and 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 net pension liability and the net OPEB liability represent the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension/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 this estimate annually.

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

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

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

The remainder of this note includes the pension disclosures. See Note 12 for the OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

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

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

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| | State and Local |
|--|--------------------|
| 2020 Statutory Maximum Contribution Rates | |
| Employer | 14.00 % |
| Employee | 10.00 % |
| 2020 Actual Contribution Rates | |
| Employer: | |
| Pension | 14.00 % |
| Post-Employment Health Care Benefits | 0.00 % |
| Total Employer | 14.00 % |
| Employee | 10.00 % |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$348,195 for 2020. Of this amount, \$29,215 is reported as an intergovernmental payable.

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

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Comprehensive Annual Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

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 three percent or the percent increase, if any, in the consumer price index 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 percent of their base pension or disability benefit.

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

| | Police | Firefighters |
|--|-------------|--------------|
| 2020 Statutory Maximum Contribution Rates | | |
| Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |
| 2020 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-Employment Health Care Benefits | 0.50 % | 0.50 % |
| Total Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$178,254 for 2020. Of this amount, \$19,430 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|--|-------------------|------------------|--------------|
| Proportion of the Net Pension Liability: | | | |
| Current Measurement Period | 0.017589% | 0.037060% | |
| Prior Measurement Period | 0.018063% | 0.036872% | |
| Change in Proportion | <u>-0.000474%</u> | <u>0.000188%</u> | |
| | | | |
| Proportionate Share of the Net | | | |
| Pension Liability | \$ 3,476,585 | \$ 2,496,532 | \$ 5,973,117 |
| Pension Expense | \$ 517,409 | \$ 313,544 | \$ 830,953 |

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|---|-------------------|-------------------|---------------------|
| Deferred Outflows of Resources | | | |
| Differences between Expected and | | | |
| Actual Experience | \$ - | \$ 94,503 | \$ 94,503 |
| Changes of Assumptions | 185,690 | 61,282 | 246,972 |
| Changes in Proportionate Share | 25,761 | 34,581 | 60,342 |
| City Contributions Subsequent | | | |
| to the Measurement Date | <u>348,195</u> | <u>178,254</u> | <u>526,449</u> |
| Total Deferred Outflows of Resources | <u>\$ 559,646</u> | <u>\$ 368,620</u> | <u>\$ 928,266</u> |
| Deferred Inflows of Resources | | | |
| Differences between Expected and | | | |
| Actual Experience | \$ 43,956 | \$ 128,755 | \$ 172,711 |
| | | | |
| Net Difference between Projected and Actual | | | |
| Earnings on Pension Plan Investments | 693,501 | 120,604 | 814,105 |
| Changes in Proportionate Share | <u>62,450</u> | <u>103,194</u> | <u>165,644</u> |
| Total Deferred Inflows of Resources | <u>\$ 799,907</u> | <u>\$ 352,553</u> | <u>\$ 1,152,460</u> |

\$526,449 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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| Year Ending December 31: | OPERS | OP&F | Total |
|--------------------------|---------------------|---------------------|---------------------|
| 2021 | \$ (95,529) | \$ (40,338) | \$ (135,867) |
| 2022 | (246,278) | (21,423) | (267,701) |
| 2023 | 28,718 | 23,813 | 52,531 |
| 2024 | (275,367) | (114,079) | (389,446) |
| 2025 | - | (10,160) | (10,160) |
| | <u>\$ (588,456)</u> | <u>\$ (162,187)</u> | <u>\$ (750,643)</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 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, 2019, using the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2019 are presented below.

| <u>Actuarial Information</u> | <u>Traditional Pension Plan</u> |
|--|---|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including wage inflation | 3.25 percent to 10.75 percent (including wage inflation) |
| Investment Rate of Return | |
| Current Measurement Date | 7.20 percent |
| Prior Measurement Date | 7.20 percent |
| Actuarial Cost Method | Individual Entry Age |
| Cost-of-Living Adjustments | Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2020, then 2.15 percent Simple |

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from three percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 the 2.15 percent simple.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality

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improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

During 2019, 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 of 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 17.2 percent for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u> |
|------------------------|------------------------------|---|
| Fixed Income | 25.00% | 1.83% |
| Domestic Equities | 19.00% | 5.75% |
| Real Estate | 10.00% | 5.20% |
| Private Equity | 12.00% | 10.70% |
| International Equities | 21.00% | 7.66% |
| Other Investments | 13.00% | 4.98% |
| Total | <u>100.00%</u> | |

Discount Rate The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the 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 benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|--------------|--------------------------|--------------|
| City's Proportionate Share of the Net Pension Liability | \$ 5,734,014 | \$ 3,476,585 | \$ 1,447,223 |

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2019 is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

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

| | |
|----------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 8.00 percent |
| Projected Salary Increases | 3.75 percent to 10.50 percent |
| Payroll Growth | 3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.50 percent |
| Cost-of-Living Adjustments | 3.00 percent simple; 2.20 percent simple for increases based on the lesser of the increase in CPI and 3.00 percent |

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2019, 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 | - % | 0.10 % | 1.00 % |
| Domestic Equity | 16.00 | 3.90 | 5.40 |
| Non-U.S. Equity | 16.00 | 4.70 | 5.80 |
| Private Markets | 8.00 | 6.10 | 8.00 |
| Core Fixed Income* | 23.00 | 1.10 | 2.70 |
| High Yield Fixed Income | 7.00 | 2.50 | 4.70 |
| Private Credit | 5.00 | 4.80 | 5.50 |
| U.S. Inflation Linked Bonds* | 17.00 | 0.40 | 2.50 |
| Midstream Energy Infrastructure | 8.00 | 5.80 | 6.60 |
| Real Assets | 8.00 | 6.90 | 7.40 |
| Private Real Estate | 12.00 | 5.40 | 6.40 |
| Total | 120.00 % | | |

Note: Assumptions are geometric.

* Levered 2x

** Numbers are net of expected 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.

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

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|--------------|--------------------------|--------------|
| City's Proportionate Share of the Net Pension Liability | \$ 3,460,107 | \$ 2,496,532 | \$ 1,690,598 |

NOTE 12 -- DEFINED BENEFIT OPEB PLANS

See Note 11 for a description of the net OPEB liability.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS Comprehensive Annual Financial Report referenced below for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2020, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City had no contractually required contribution for 2020.

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

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

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of

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an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$4,494 for 2020. Of this amount, \$491 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows/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, 2018, rolled forward to the measurement date of December 31, 2019, 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, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. 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:

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| | OPERS | OP&F | Total |
|---------------------------------------|-------------------|------------------|--------------|
| Proportion of the Net OPEB Liability: | | | |
| Current Measurement Period | 0.016540% | 0.037060% | |
| Prior Measurement Period | 0.016987% | 0.036872% | |
| Change in Proportion | <u>-0.000447%</u> | <u>0.000188%</u> | |
| Proportionate Share of the Net | | | |
| OPEB Liability | \$ 2,284,604 | \$ 366,065 | \$ 2,650,669 |
| OPEB Expense | \$ 215,013 | \$ 17,830 | \$ 232,843 |

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | OPERS | OP&F | Total |
|---|-------------------|-------------------|-------------------|
| Deferred Outflows of Resources | | | |
| Differences between Expected and | | | |
| Actual Experience | \$ 61 | \$ - | \$ 61 |
| Changes of Assumptions | 361,628 | 214,014 | 575,642 |
| Changes in Proportionate Share | 8,936 | 1,114 | 10,050 |
| City Contributions Subsequent | | | |
| to the Measurement Date | - | 4,494 | 4,494 |
| Total Deferred Outflows of Resources | <u>\$ 370,625</u> | <u>\$ 219,622</u> | <u>\$ 590,247</u> |
| Deferred Inflows of Resources | | | |
| Differences between Expected and | | | |
| Actual Experience | \$ 208,937 | \$ 39,368 | \$ 248,305 |
| Net Difference between Projected and Actual | | | |
| Earnings on OPEB Plan Investments | 116,330 | 16,847 | 133,177 |
| Changes of Assumptions | - | 78,013 | 78,013 |
| Changes in Proportionate Share | 39,538 | 96,715 | 136,253 |
| Total Deferred Inflows of Resources | <u>\$ 364,805</u> | <u>\$ 230,943</u> | <u>\$ 595,748</u> |

\$4,494 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 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending December 31: | OPERS | OP&F | Total |
|--------------------------|-----------------|--------------------|-------------------|
| 2021 | \$ 41,620 | \$ (5,679) | \$ 35,941 |
| 2022 | 13,815 | (5,681) | 8,134 |
| 2023 | 93 | (2,226) | (2,133) |
| 2024 | (49,708) | (7,673) | (57,381) |
| 2025 | - | (2,597) | (2,597) |
| Thereafter | 0 | 8,041 | 8,041 |
| | <u>\$ 5,820</u> | <u>\$ (15,815)</u> | <u>\$ (9,995)</u> |

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Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

| | |
|--|--|
| Wage Inflation | 3.25 percent |
| Projected Salary Increases, Including Inflation | 3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent) |
| Single Discount Rate: | |
| Current Measurement Date | 3.16 percent |
| Prior Measurement Date | 3.96 percent |
| Investment Rate of Return | |
| Current Measurement Date | 6.00 percent |
| Prior Measurement Date | 6.00 percent |
| Municipal Bond Rate | |
| Current Measurement Date | 2.75 percent |
| Prior Measurement Date | 3.71 percent |
| Health Care Cost Trend Rate | |
| Current Measurement Date | 10.50 percent, initial, 3.50 percent ultimate in 2030 |
| Prior Measurement Date | 10.00 percent, initial, 3.25 percent ultimate in 2029 |
| Actuarial Cost Method | Individual Entry Age Normal |

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables. The most recent experience study was completed for the five year period ended December 31, 2015.

During 2019, 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

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Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u> |
|-------------------------------|------------------------------|---|
| Fixed Income | 36.00% | 1.53% |
| Domestic Equities | 21.00% | 5.75% |
| Real Estate Investment Trusts | 6.00% | 5.69% |
| International Equities | 23.00% | 7.66% |
| Other Investments | 14.00% | 4.90% |
| Total | <u>100.00%</u> | |

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. 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 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

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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 3.16 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------|--------------------------|--------------|
| City's Proportionate Share of the Net OPEB Liability | \$ 2,989,770 | \$ 2,284,604 | \$ 1,719,995 |

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|--------------|-----------------------|--------------|
| City's Proportionate Share of the Net OPEB Liability | \$ 2,217,187 | \$ 2,284,604 | \$ 2,351,161 |

Changes between Measurement Date and Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, 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

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terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

| | |
|----------------------------|--|
| Valuation Date | January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019 |
| Actuarial Cost Method | Entry Age Normal (Level Percent of Payroll) |
| Projected Salary Increases | 3.75 percent to 10.50 percent |
| Payroll Growth | 3.25 percent |
| Investment Rate of Return | |
| Current Measurement Date | 8.00 percent |
| Prior Measurement Date | 8.00 percent |
| Single Discount Rate: | |
| Current Measurement Date | 3.56 percent |
| Prior Measurement Date | 4.66 percent |
| Municipal Bond Rate | |
| Current Measurement Date | 2.75 percent |
| Prior Measurement Date | 4.13 percent |
| Cost of Living Adjustments | 3.00 percent simple; 2.20 percent simple for increases based on the lessor of the increase in CPI and 3.00 percent |

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

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

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

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. The target asset allocation and best estimates of geometric real rates of return for each major asset class as of December 31, 2019, 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 | - % | 0.10 % | 1.00 % |
| Domestic Equity | 16.00 | 3.90 | 5.40 |
| Non-U.S. Equity | 16.00 | 4.70 | 5.80 |
| Private Markets | 8.00 | 6.10 | 8.00 |
| Core Fixed Income* | 23.00 | 1.10 | 2.70 |
| High Yield Fixed Income | 7.00 | 2.50 | 4.70 |
| Private Credit | 5.00 | 4.80 | 5.50 |
| U.S. Inflation Linked Bonds* | 17.00 | 0.40 | 2.50 |
| Midstream Energy Infrastructure | 8.00 | 5.80 | 6.60 |
| Real Assets | 8.00 | 6.90 | 7.40 |
| Private Real Estate | 12.00 | 5.40 | 6.40 |
| Total | 120.00 % | | |

Note: Assumptions are geometric.

* Levered 2x

** Numbers are net of expected 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 For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of

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return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.56 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|-------------|--------------------------|-------------|
| City's Proportionate Share of the Net OPEB Liability | \$ 453,897 | \$ 366,065 | \$ 293,083 |

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

NOTE 13 -- CONTINGENT LIABILITIES

Federal and State Grants

The City participates in several federally assisted programs. These programs are subject to financial and compliance audits by grantor agencies or their representative. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Litigation

The City may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the law director the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Encumbrances

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 general fund had outstanding encumbrances of \$30,465 and the FEMA 2 fund had outstanding encumbrances of \$12,939.

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Contractual Commitments

The City had the following significant commitments at December 31, 2020:

| Project | Contract Amount | Expended | Outstanding Commitment |
|---------------|--------------------|--------------|---------------------------|
| WWTP Upgrades | \$26,826,771 | \$24,136,882 | \$ 2,689,889 |

NOTE 14 -- FUND BALANCE

Fund balance can be 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 the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

| | General Fund | FEMA 2 Fund | Capital Improvements Fund | Other Governmental Funds | Total |
|--------------------------------|-----------------|----------------|---------------------------------|--------------------------------|--------------|
| Nonspendable for: | | | | | |
| Inventory | \$ 1,968 | \$ - | \$ - | \$ 23,602 | \$ 25,570 |
| Restricted for: | | | | | |
| Capital Projects | - | - | 321,387 | - | 321,387 |
| Street Maintenance and Repair | - | - | - | 222,570 | 222,570 |
| Indigent Drivers Fund | - | - | - | 330,319 | 330,319 |
| Computer Legal Research | - | - | - | 175,371 | 175,371 |
| CDBG Revolving Loan | - | - | - | 469,036 | 469,036 |
| Special Projects | - | - | - | 167,778 | 167,778 |
| Other Purposes | - | 281,908 | - | 243,320 | 525,228 |
| Total Restricted | - | 281,908 | 321,387 | 1,608,394 | 2,211,689 |
| Committed to: | | | | | |
| Parks and Recreation | - | - | - | 237,319 | 237,319 |
| Assigned for: | | | | | |
| Encumbrances | 30,465 | - | - | - | 30,465 |
| Subsequent Year Appropriations | 579,953 | - | - | - | 579,953 |
| Total Assigned | 610,418 | - | - | - | 610,418 |
| Unassigned | 743,245 | - | - | - | 743,245 |
| Total Fund Balance | \$ 1,355,631 | \$ 281,908 | \$ 321,387 | \$ 1,869,315 | \$ 3,828,241 |

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NOTE 15 -- TRANSFERS

Interfund transfers for the year ended December 31, 2020, consisted of the following:

| Fund | Transfers In | Transfers Out |
|--------------------------|--------------|---------------|
| General | \$ - | \$ 36,396 |
| Capital Improvement Fund | 490,826 | 5,766 |
| Other Governmental | 22,500 | - |
| Water | 12,713 | 499,430 |
| Sewer | 22,500 | 6,947 |
| | \$ 548,539 | \$ 548,539 |

In the year ended December 31, 2020, the City made transfers of \$476,930 from the water fund to the capital improvements fund to subsidize, in part, the Ohio Water Development Authority (OWDA) debt service payments. In the past, OWDA loans were financed by City income tax. The general fund transferred \$13,896 to the capital improvement fund to assist in debt payment and \$22,500 to the transient guest tax fund to cover incurred expenses. The capital projects fund transferred \$5,766 to the water fund to assist in debt payments. The water fund transferred \$22,500 to the sewer fund and the sewer fund transferred \$6,947 to the water fund for debt payments.

In the year ended December 31, 2020, the City also transferred \$60,053 in assets from governmental activities to the sanitation fund.

NOTE 16 – COVID-19

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 may impact subsequent periods of the City. The City’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the City’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the City received CARES Act funding. Of the amounts received, \$47,398 was sub-granted to other organizations. These amounts are reflected as community and economic development expenditures in the FEMA 2 special revenue fund on the accompanying financial statements.

NOTE 17 – OTHER RECEIPTS

General Fund other receipts consisted primarily of Ohio Bureau of Workers Compensation refunds, and miscellaneous reimbursements as a result of activities and programs throughout the year.

City of Upper Sandusky
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Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Last Seven Years (1)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Ohio Public Employees' Retirement System (OPERS) | | | | | | | |
| City's Proportion of the Net Pension Liability | 0.017589% | 0.018063% | 0.017586% | 0.018397% | 0.017668% | 0.017205% | 0.017205% |
| City's Proportionate Share of the Net Pension Liability | \$ 3,476,585 | \$ 4,947,089 | \$ 2,758,880 | \$ 4,177,704 | \$ 3,060,320 | \$ 2,075,115 | \$ 2,028,245 |
| City's Covered Payroll | \$ 2,474,707 | \$ 2,439,729 | \$ 2,323,979 | \$ 2,378,225 | \$ 2,199,000 | \$ 2,109,300 | \$ 2,523,477 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 140.48% | 202.77% | 118.71% | 175.66% | 139.17% | 98.38% | 80.38% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 82.17% | 74.70% | 84.66% | 77.25% | 81.08% | 86.45% | 86.36% |
| Ohio Police and Fire Pension Fund (OPF) | | | | | | | |
| City's Proportion of the Net Pension Liability | 0.037060% | 0.036872% | 0.036986% | 0.040142% | 0.038826% | 0.039361% | 0.039361% |
| City's Proportionate Share of the Net Pension Liability | \$ 2,496,532 | \$ 3,009,730 | \$ 2,270,023 | \$ 2,542,554 | \$ 2,497,710 | \$ 2,039,059 | \$ 1,916,999 |
| City's Covered Payroll | \$ 984,551 | \$ 888,914 | \$ 863,512 | \$ 906,791 | \$ 825,885 | \$ 949,332 | \$ 827,098 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 253.57% | 338.59% | 262.88% | 280.39% | 302.43% | 214.79% | 231.77% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 69.89% | 63.07% | 70.91% | 68.36% | 66.77% | 72.20% | 73.00% |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

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Required Supplementary Information
Schedule of the City's Contributions - Pension
Last Ten Years

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|------------------|------------------|
| <i>Ohio Public Employees' Retirement System (OPERS)</i> | | | | |
| Contractually Required Contribution | \$ 348,195 | \$ 346,459 | \$ 341,562 | \$ 302,117 |
| Contributions in Relation to the Contractually Required Contribution | <u>(348,195)</u> | <u>(346,459)</u> | <u>(341,562)</u> | <u>(302,117)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's Covered Payroll | \$ 2,487,107 | \$ 2,474,707 | \$ 2,439,729 | \$ 2,323,979 |
| Contributions as a Percentage of Covered Payroll | 14.00% | 14.00% | 14.00% | 13.00% |
| <i>Ohio Police and Fire Pension Fund (OPF)</i> | | | | |
| Contractually Required Contribution | \$ 178,254 | \$ 194,772 | \$ 175,767 | \$ 170,725 |
| Contributions in Relation to the Contractually Required Contribution | <u>(178,254)</u> | <u>(194,772)</u> | <u>(175,767)</u> | <u>(170,725)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's Covered Payroll | \$ 898,716 | \$ 984,551 | \$ 888,914 | \$ 863,512 |
| Contributions as a Percentage of Covered Payroll | 19.83% | 19.78% | 19.77% | 19.77% |

(n/a) Information prior to 2013 is not available.

See accompanying notes to the required supplementary information.

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 285,387 | \$ 263,880 | \$ 253,116 | \$ 328,052 | n/a | n/a |
| <u>(285,387)</u> | <u>(263,880)</u> | <u>(253,116)</u> | <u>(328,052)</u> | n/a | n/a |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | n/a | n/a |
| \$ 2,378,225 | \$ 2,199,000 | \$ 2,109,300 | \$ 2,523,477 | n/a | n/a |
| 12.00% | 12.00% | 12.00% | 13.00% | n/a | n/a |
| \$ 178,965 | \$ 163,115 | \$ 164,723 | \$ 137,644 | \$ 144,330 | \$ 129,520 |
| <u>(178,965)</u> | <u>(163,115)</u> | <u>(164,723)</u> | <u>(137,644)</u> | <u>(144,330)</u> | <u>(129,520)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 906,791 | \$ 825,885 | \$ 949,332 | \$ 827,098 | \$ 1,078,453 | \$ 943,821 |
| 19.74% | 19.75% | 17.35% | 16.64% | 13.38% | 13.72% |

See accompanying notes to the required supplementary information.

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City of Upper Sandusky
Wyandot County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability
Last Four Years (1)

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|--------------|--------------|--------------|--------------|
| <i>Ohio Public Employees' Retirement System (OPERS)</i> | | | | |
| City's Proportion of the Net OPEB Liability | 0.016540% | 0.016987% | 0.016837% | 0.017613% |
| City's Proportionate Share of the Net OPEB Liability | \$ 2,284,604 | \$ 2,214,704 | \$ 1,828,355 | \$ 1,778,973 |
| City's Covered Payroll | \$ 2,474,707 | \$ 2,439,729 | \$ 2,323,979 | \$ 2,378,225 |
| City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 92.32% | 90.78% | 78.67% | 74.80% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 47.80% | 46.33% | 54.14% | 54.04% |
| <i>Ohio Police and Fire Pension Fund (OPF)</i> | | | | |
| City's Proportion of the Net OPEB Liability | 0.037060% | 0.036872% | 0.036986% | 0.040142% |
| City's Proportionate Share of the Net OPEB Liability | \$ 366,065 | \$ 335,776 | \$ 2,095,597 | \$ 1,905,450 |
| City's Covered Payroll | \$ 984,551 | \$ 888,914 | \$ 863,512 | \$ 906,791 |
| City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 37.18% | 37.77% | 242.68% | 210.13% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 47.08% | 46.57% | 14.13% | 15.96% |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

City of Upper Sandusky
Wyandot County, Ohio
Required Supplementary Information
Schedule of the City's Contributions - OPEB
Last Ten Years

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|----------------|----------------|----------------|-----------------|
| <i>Ohio Public Employees' Retirement System (OPERS)</i> | | | | |
| Contractually Required Contribution | \$ - | \$ - | \$ - | \$ 23,240 |
| Contributions in Relation to the Contractually Required Contribution | <u>-</u> | <u>-</u> | <u>-</u> | <u>(23,240)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's Covered Payroll (1) | \$ 2,487,107 | \$ 2,474,707 | \$ 2,439,729 | \$ 2,323,979 |
| Contributions as a Percentage of Covered Payroll | 0.00% | 0.00% | 0.00% | 1.00% |
| <i>Ohio Police and Fire Pension Fund (OPF)</i> | | | | |
| Contractually Required Contribution | \$ 4,494 | \$ 4,923 | \$ 4,445 | \$ 4,318 |
| Contributions in Relation to the Contractually Required Contribution | <u>(4,494)</u> | <u>(4,923)</u> | <u>(4,445)</u> | <u>(4,318)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's Covered Payroll | \$ 898,716 | \$ 984,551 | \$ 888,914 | \$ 863,512 |
| Contributions as a Percentage of Covered Payroll | 0.50% | 0.50% | 0.50% | 0.50% |

(n/a) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(1) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan.

See accompanying notes to the required supplementary information.

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| \$ 47,564 | n/a | n/a | n/a | n/a | n/a |
| <u>(47,564)</u> | n/a | n/a | n/a | n/a | n/a |
| <u>\$ -</u> | n/a | n/a | n/a | n/a | n/a |
| \$ 2,378,225 | n/a | n/a | n/a | n/a | n/a |
| 2.00% | n/a | n/a | n/a | n/a | n/a |
| \$ 4,534 | \$ 4,130 | \$ 64,121 | \$ 68,188 | \$ 72,796 | \$ 63,708 |
| <u>(4,534)</u> | <u>(4,130)</u> | <u>(64,121)</u> | <u>(68,188)</u> | <u>(72,796)</u> | <u>(63,708)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 906,791 | \$ 825,885 | \$ 949,332 | \$ 827,098 | \$ 1,078,453 | \$ 943,821 |
| 0.50% | 0.50% | 6.80% | 8.24% | 6.75% | 6.75% |

See accompanying notes to the required supplementary information.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2020

Note 1 - Net Pension Liability

Changes in Assumptions – OPERS

For fiscal year 2019, the single discount rate changed from 7.50 percent to 7.20 percent.

Amounts reported in calendar year 2017 reflect an adjustment of the rates of withdrawal, disability, retirement and mortality to more closely reflect actual experience. The expectation of retired life mortality was based on RP-2014 Healthy Annuitant mortality table and RP-2014 Disabled mortality table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 8.00 percent to 7.50 percent
- Wage inflation rate from 3.75 percent to 3.25 percent
- Price inflation from 3.00 percent to 2.50 percent

Changes in Benefit Terms – OPERS

In October 2019, the OPERS Board adopted a change in COLA for post-January 7, 2013 retirees, changing it from three percent simple through 2018 then 2.15 percent simple to 1.4 percent simple through 2020 then 2.15 percent simple.

Changes in Assumptions – OP&F

For 2018, the single discount rate changed from 8.25 percent to 8.00 percent.

Changes in Benefit Terms – OP&F

No significant changes in benefit terms.

Note 2 - Net OPEB Liability

Changes in Assumptions - OPERS

For calendar year 2020, the following changes were made to the actuarial assumptions:

- Discount rate from 3.96 percent to 3.16 percent
- Municipal bond rate from 3.71 percent to 2.75 percent
- Health Care Cost Trend Rate from 10.00 percent to 10.50 percent

For calendar year 2019, the following changes were made to the actuarial assumptions:

- Discount rate from 3.85 percent to 3.96 percent
- Investment rate of return from 6.50 percent to 6.00 percent
- Municipal bond rate from 3.31 percent to 3.71 percent
- Health Care Cost Trend Rate from 7.50 percent to 10.00 percent

For calendar year 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2020

Changes in Benefit Terms – OPERS

No significant changes in benefit terms.

Changes in Assumptions – OP&F

For calendar year 2020, the single discount rate decreased from 4.66 percent to 3.56 percent and the municipal bond rate from 4.13 percent to 2.75 percent.

For calendar year 2019, the discount rate increased from 3.24 percent to 4.66 percent and the municipal bond rate from 3.16 percent to 4.13 percent.

For calendar year 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

Changes in Benefit Terms – OP&F

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

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City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

The discussion and analysis of the City of Upper Sandusky's (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 performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2019 are as follows:

- In total, net position decreased \$54,748. Net position of governmental activities increased \$657,810. Net position of business-type activities decreased \$712,558.
- Total capital assets increased \$8,483,400 in 2019. Capital assets of governmental activities decreased \$908,959 and capital assets of business-type activities increased \$9,392,359.
- Outstanding debt increased from \$27,540,236 to \$36,275,697.
- The City implemented GASB 84, which decreased beginning net position as previously reported by \$8,797 for governmental activities.

Using this Annual Financial Report

This report is designed to allow the reader to look at the financial activities of the City of Upper Sandusky as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the City's operations, as they prefer.

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2019 and how they affected the operations of the City as a whole.

Reporting the City of Upper Sandusky as a Whole

Statement of Net Position and the Statement of 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. In the case of the City of Upper Sandusky, the general fund, parks and recreation fund, and capital improvements fund are the most significant funds. Business-type funds consist of the water, sewer and sanitation funds.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

A question typically asked about the City's finances "How did we do financially during 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes 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 which restrict revenue growth, facility conditions, 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 general government, security of persons and property, public health, community development, leisure time activities, basic utility service, and transportation.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer and sanitation funds are reported as business activities.

Reporting the City of Upper Sandusky'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 safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund, the parks and recreation fund, and the capital improvement fund.

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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 the fiduciary funds is much like that used for proprietary funds.

The City of Upper Sandusky as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2019 compared to 2018:

Table 1
Net Position

| | Governmental Activities | | | Business-Type Activities | | |
|--|-------------------------|---------------|-------------|--------------------------|------------------|--------------|
| | 2019 | 2018 | Change | 2019 | Restated 2018 | Change |
| Assets | | | | | | |
| Current and Other Assets | \$ 4,699,853 | \$ 4,422,641 | \$ 277,212 | \$ 3,966,972 | \$ 3,668,440 | \$ 298,532 |
| Capital Assets | 17,596,529 | 18,505,488 | (908,959) | 52,326,217 | 42,933,858 | 9,392,359 |
| <i>Total Assets</i> | 22,296,382 | 22,928,129 | (631,747) | 56,293,189 | 46,602,298 | 9,690,891 |
| Deferred Outflows of Resources | | | | | | |
| Pension & OPEB | 1,916,216 | 1,049,771 | 866,445 | 784,124 | 377,135 | 406,989 |
| Liabilities | | | | | | |
| Current and Other Liabilities | 498,875 | 286,061 | 212,814 | 1,153,551 | 505,677 | 647,874 |
| Long-Term Liabilities: | | | | | | |
| Due within One Year | 692,975 | 683,757 | 9,218 | 929,740 | 961,142 | (31,402) |
| Due in More Than One Year: | | | | | | |
| Net Pension Liability | 5,780,099 | 3,842,585 | 1,937,514 | 2,176,720 | 1,186,318 | 990,402 |
| Net OPEB Liability | 1,576,010 | 3,137,760 | (1,561,750) | 974,470 | 786,192 | 188,278 |
| Other Amounts | 2,106,386 | 2,646,622 | (540,236) | 32,869,110 | 23,525,274 | 9,343,836 |
| <i>Total Liabilities</i> | 10,654,345 | 10,596,785 | 57,560 | 38,103,591 | 26,964,603 | 11,138,988 |
| Deferred Inflows of Resources | | | | | | |
| Property Taxes | 274,000 | 272,000 | 2,000 | 0 | 0 | 0 |
| Other | 81,499 | 56,155 | 25,344 | 0 | 0 | 0 |
| Pension & OPEB | 460,210 | 959,429 | (499,219) | 53,459 | 382,009 | (328,550) |
| <i>Total Deferred Inflows of Resources</i> | 815,709 | 1,287,584 | (471,875) | 53,459 | 382,009 | (328,550) |
| Net Position | | | | | | |
| Net Investment in Capital Assets * | 17,066,613 | 17,881,644 | (815,031) | 17,682,898 | 18,311,624 | (628,726) |
| Restricted | 1,213,306 | 1,143,105 | 70,201 | 0 | 0 | 0 |
| Unrestricted (Deficit) | (5,537,375) | (6,931,218) | 1,393,843 | 1,237,365 | 1,321,197 | (83,832) |
| <i>Total Net Position</i> | \$ 12,742,544 | \$ 12,093,531 | \$ 649,013 | \$ 18,920,263 | \$ 19,632,821 | \$ (712,558) |

*Debt related to certain business-type assets is included in the governmental activities. This debt has not been included in the net investment in capital assets for governmental or business-type activities, but has been reflected in the entity-wide total. See Note 9.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2019 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. In a prior year, the City adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

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

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

At year end, capital assets represented 89 percent of total assets. Capital assets include land, buildings and improvements, machinery and equipment, vehicles, infrastructure and construction in progress. Net investment in capital assets for governmental activities was \$17,066,613 and \$17,682,898 in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$1,213,306 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position is a deficit balance of \$2,260,955.

For both governmental and business-type activities, the changes reflected in net pension and net OPEB liability, and deferred outflows/inflows of resources relating to pension and OPEB are based on estimates at the plan level. For additional details on GASB 68 and 75, see aforementioned discussion.

Capital assets and current and other liabilities for business-type activities increased primarily due to construction in process and related contracts payable for a new wastewater treatment plant. Capital assets decreased in governmental activities due to current year depreciation exceeding additions.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2019 and 2018.

Table 2
Changes in Net Position

| | Governmental Activities | | | Business-Type Activities | | |
|--|-------------------------|----------------------|--------------------|--------------------------|----------------------|---------------------|
| | 2019 | 2018 | Change | 2019 | 2018 | Change |
| Revenues | | | | | | |
| <i>Program Revenues:</i> | | | | | | |
| Charges for Services | \$ 1,090,744 | \$ 1,188,748 | \$ (98,004) | \$ 5,689,813 | \$ 5,462,649 | \$ 227,164 |
| Operating Grants | 508,964 | 412,139 | 96,825 | 0 | 0 | 0 |
| Capital Grants | 125,000 | 0 | 125,000 | 100,000 | 29,348 | 70,652 |
| <i>General Revenues:</i> | | | | | | |
| Property Taxes | 368,939 | 278,449 | 90,490 | 0 | 0 | 0 |
| Income Taxes | 3,207,976 | 3,011,185 | 196,791 | 0 | 0 | 0 |
| Grants and Entitlements | 317,917 | 236,979 | 80,938 | 0 | 0 | 0 |
| Gain on Disposal of Capital Assets | 55,100 | 0 | 55,100 | 15,000 | 0 | 15,000 |
| Other Local Taxes | 72,702 | 90,014 | (17,312) | 0 | 0 | 0 |
| Payments in Lieu of Taxes | 55,378 | 54,503 | 875 | 0 | 0 | 0 |
| Investment Earnings | 96,605 | 59,096 | 37,509 | 0 | 0 | 0 |
| Miscellaneous | 96,595 | 194,552 | (97,957) | 56,430 | 66,105 | (9,675) |
| <i>Total Revenues</i> | <u>5,995,920</u> | <u>5,525,665</u> | <u>470,255</u> | <u>5,861,243</u> | <u>5,558,102</u> | <u>303,141</u> |
| Program Expenses | | | | | | |
| General Government | 2,274,485 | 1,993,752 | 280,733 | 0 | 0 | 0 |
| Security of Persons and Property | 1,059,603 | 2,901,297 | (1,841,694) | 0 | 0 | 0 |
| Public Health | 28,345 | 28,355 | (10) | 0 | 0 | 0 |
| Leisure Time Services | 873,371 | 707,739 | 165,632 | 0 | 0 | 0 |
| Community Development | 110,117 | 95,732 | 14,385 | 0 | 0 | 0 |
| Basic Utility Service | 183,829 | 193,732 | (9,903) | 0 | 0 | 0 |
| Transportation | 1,201,083 | 902,357 | 298,726 | 0 | 0 | 0 |
| Interest and Fiscal Charges | 106,478 | 107,596 | (1,118) | 0 | 0 | 0 |
| <i>Enterprise Operations:</i> | | | | | | |
| Water | 0 | 0 | 0 | 3,142,310 | 3,087,778 | 54,532 |
| Sewer | 0 | 0 | 0 | 1,902,629 | 1,933,548 | (30,919) |
| Sanitation | 0 | 0 | 0 | 1,029,661 | 956,553 | 73,108 |
| <i>Total Program Expenses</i> | <u>5,837,311</u> | <u>6,930,560</u> | <u>(1,093,249)</u> | <u>6,074,600</u> | <u>5,977,879</u> | <u>96,721</u> |
| <i>Increase (Decrease) in Net Position</i> | 158,609 | (1,404,895) | 1,563,504 | (213,357) | (419,777) | 206,420 |
| Transfers | 499,201 | 467,713 | 31,488 | (499,201) | (467,713) | (31,488) |
| <i>Change in Net Position</i> | 657,810 | (937,182) | 1,594,992 | (712,558) | (887,490) | 174,932 |
| <i>Net Position Beginning of Year</i> | 12,084,734 | 13,030,713 | (945,979) | 19,632,821 | 20,685,791 | (1,052,970) |
| <i>Restatement - See Note 2</i> | 0 | (8,797) | 8,797 | 0 | (165,480) | 165,480 |
| <i>Net Position End of Year</i> | <u>\$ 12,742,544</u> | <u>\$ 12,084,734</u> | <u>\$ 657,810</u> | <u>\$ 18,920,263</u> | <u>\$ 19,632,821</u> | <u>\$ (712,558)</u> |

Governmental Activities

The funding for the governmental activities comes from several different sources, the most significant being the municipal income tax. Other prominent sources are property taxes, grants and entitlements, and charges for services.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation.

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(Unaudited)

As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is still comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00.

A city that is dependent upon municipal income taxes and property taxes that is hampered by a lack of revenue growth must regularly return to the voters to maintain a constant level of service. Municipal income taxes and property taxes made up 60 percent of revenues for governmental activities in calendar year 2019.

Business-Type Activities

Business-type activities include water, sewer and sanitation operations. The revenues are generated primarily from charges for services. In 2019, charges for services of \$5,689,813 accounted for 97 percent of the business type revenues. The increase in capital grants is related to the OWDA principal forgiveness for the wastewater treatment plant upgrade project.

The City's Funds

Governmental Funds

As noted earlier, the City's governmental funds are accounted for using the modified accrual method of accounting. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of the fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

The general fund is the chief operating fund of the City. The fund balance of the general fund decreased by \$137,856 during the current fiscal year.

The parks and recreation fund had a \$139,463 increase in fund balance.

The fund balance of the capital improvement fund decreased by \$42,365.

Proprietary Funds

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

Unrestricted net position of the water fund at the end of the year was \$145,047, the sewer fund was \$1,162,976, and the sanitation fund was negative \$70,658. The total change in net position for these funds was a decrease of \$756,720, an increase of \$210,853, and a decrease of \$166,691, respectively. The decrease in the water fund is primarily due to transfers to governmental activities for debt payments. Other factors concerning the finances of these funds have already been addressed in the business-type activities and capital asset discussions.

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(Unaudited)

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of 2019, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

Original Budget Compared to Final Budget During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations.

Final Budget Compared to Actual Results The most significant differences between estimated revenues and actual revenues were as follows:

Fines and forfeitures were less than estimated by \$98,901. This was due to an undetected error by the county which increased these estimates more than the City intended. Intergovernmental revenue increased over the budgeted amount by \$79,297 due to an increase in the gasoline tax effective July 1, 2019. Interest revenue also was more than the budgeted amount by \$71,605 due to adjustments in the estimate.

During the year, there were differences between the final budgeted appropriations and actual expenditures for general government of \$279,076 and security of persons and property of \$125,916 due to conservative spending.

There were no significant variances to discuss within other financing sources and uses.

Capital Assets and Debt Administration

Capital Assets

Table 3 shows fiscal year 2019 balances compared with 2018.

Table 3
Capital Assets at December 31
(Net of Depreciation)

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2019 | 2018 | 2019 | Restated 2018 | 2019 | Restated 2018 |
| Land | \$ 759,000 | \$ 788,900 | \$ 0 | \$ 0 | \$ 759,000 | \$ 788,900 |
| Construction in Progress | 0 | 0 | 12,509,082 | 1,576,499 | 12,509,082 | 1,576,499 |
| Buildings and Improvements | 1,151,971 | 1,148,950 | 14,872,179 | 15,390,346 | 16,024,150 | 16,539,296 |
| Machinery and Equipment | 472,432 | 548,591 | 2,394,067 | 2,605,176 | 2,866,499 | 3,153,767 |
| Vehicles | 996,529 | 1,196,097 | 708,549 | 827,955 | 1,705,078 | 2,024,052 |
| Infrastructure | 14,216,597 | 14,822,950 | 21,842,340 | 22,533,882 | 36,058,937 | 37,356,832 |
| Total | \$ 17,596,529 | \$ 18,505,488 | \$ 52,326,217 | \$ 42,933,858 | \$ 69,922,746 | \$ 61,439,346 |

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See Note 7 for additional information about the capital assets of the City. Additionally, see Note 2 for information about the restatement of capital assets due to the error in prior year reporting.

Debt

Table 4 summarizes outstanding debt. See Note 9 for additional details including information regarding OWDA loan proceeds for the wastewater treatment plant upgrade projects.

Table 4
Outstanding Debt, at December 31

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| General Obligation Bonds | \$ 725,456 | \$ 826,308 | \$ 0 | \$ 0 | \$ 725,456 | \$ 826,308 |
| OPWC Loans | 278,095 | 302,795 | 1,853,993 | 1,941,086 | 2,132,088 | 2,243,881 |
| OWDA Loans | 1,540,960 | 1,937,581 | 31,841,139 | 22,455,933 | 33,382,099 | 24,393,514 |
| Capital Leases | 36,054 | 76,533 | 0 | 0 | 36,054 | 76,533 |
| <i>Total</i> | <u>\$ 2,580,565</u> | <u>\$ 3,143,217</u> | <u>\$ 33,695,132</u> | <u>\$ 24,397,019</u> | <u>\$ 36,275,697</u> | <u>\$ 27,540,236</u> |

Economic Factors

The City has seen a 3.6% increase in 2018 over 2017 in income tax revenue with a 2.0% increase in 2019 over 2018. As in prior years we still rely heavily on the income tax revenue and will find it necessary to keep expenditures no higher than the 2018 level but as always provide basic services to its citizens.

With the City undertaking the construction of a new wastewater treatment plant scheduled to be in operation by October 2020, the City found it necessary in 2017, 2018, 2019 to increase Sewer rates by one dollar (\$1.00) per 1000 gallons. As required by the financing agreement for the wastewater treatment plant project, the City will be implementing a like Sewer rate increase for the years of 2020, 2021, 2022 and 2023. In the month of April of each listed year the sewer rate was increased to cover the cost of the current wastewater treatment plant upgrades. There were no changes made to the water or sanitation rates. We continue to use rate studies to be sure we are keeping up with necessary increase in order to provide the services the citizens are accustomed.

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 may 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 have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of 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 to a precise amount. However, the City is planning for a reduction of some key incomes sources such as Income, Permissive, and Gas Taxes.

As in years past, the City has committed itself to financial excellence and will do the same in the future.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
(Unaudited)

Contacting the City's Finance Department

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 any questions about this report or need additional financial information, contact Mark Droll, Auditor of City of Upper Sandusky, 119 N. 7th Street, Upper Sandusky, Ohio 43351 or 419-294-3988.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Net Position
December 31, 2019

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Equity in Pooled Cash and Investments | \$ 3,028,506 | \$ 3,008,105 | \$ 6,036,611 |
| Cash and Investments in Segregated Accounts | 10,547 | 0 | 10,547 |
| Accounts Receivable | 92,856 | 818,111 | 910,967 |
| Intergovernmental Receivable | 368,076 | 0 | 368,076 |
| Taxes Receivable | 807,079 | 0 | 807,079 |
| Notes Receivable | 238,356 | 0 | 238,356 |
| Materials and Supplies Inventory | 72,934 | 140,756 | 213,690 |
| Payments in Lieu of Taxes Receivable | 81,499 | 0 | 81,499 |
| Non-Depreciable Capital Assets | 759,000 | 12,509,082 | 13,268,082 |
| Depreciable Capital Assets, Net | <u>16,837,529</u> | <u>39,817,135</u> | <u>56,654,664</u> |
| <i>Total Assets</i> | <u>22,296,382</u> | <u>56,293,189</u> | <u>78,589,571</u> |
| Deferred Outflows of Resources | | | |
| Pension | 1,628,612 | 687,393 | 2,316,005 |
| OPEB | <u>287,604</u> | <u>96,731</u> | <u>384,335</u> |
| <i>Total Deferred Outflows of Resources</i> | <u>1,916,216</u> | <u>784,124</u> | <u>2,700,340</u> |
| Liabilities | | | |
| Accounts Payable | 78,046 | 127,445 | 205,491 |
| Accrued Wages | 116,591 | 53,292 | 169,883 |
| Contracts Payable | 0 | 948,187 | 948,187 |
| Intergovernmental Payable | 66,532 | 24,627 | 91,159 |
| Claims Payable | 228,967 | 0 | 228,967 |
| Payroll Withholdings | 8,739 | 0 | 8,739 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 692,975 | 929,740 | 1,622,715 |
| Due In More Than One Year: | | | |
| Net Pension Liability | 5,780,099 | 2,176,720 | 7,956,819 |
| Net OPEB Liability | 1,576,010 | 974,470 | 2,550,480 |
| Other Amounts Due in More Than One Year | <u>2,106,386</u> | <u>32,869,110</u> | <u>34,975,496</u> |
| <i>Total Liabilities</i> | <u>10,654,345</u> | <u>38,103,591</u> | <u>48,757,936</u> |
| Deferred Inflows of Resources | | | |
| Property Taxes Levied for the Next Year | 274,000 | 0 | 274,000 |
| Payments in Lieu of Taxes | 81,499 | 0 | 81,499 |
| Pension | 210,036 | 41,957 | 251,993 |
| OPEB | <u>250,174</u> | <u>11,502</u> | <u>261,676</u> |
| <i>Total Deferred Inflows of Resources</i> | <u>815,709</u> | <u>53,459</u> | <u>869,168</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 17,066,613 | 17,682,898 | 32,710,456 * |
| Restricted for: | | | |
| Capital Projects | 315,872 | 0 | 315,872 |
| Other Purposes | 897,434 | 0 | 897,434 |
| Unrestricted (Deficit) | <u>(5,537,375)</u> | <u>1,237,365</u> | <u>(2,260,955)</u> |
| <i>Total Net Position</i> | <u>\$ 12,742,544</u> | <u>\$ 18,920,263</u> | <u>\$ 31,662,807</u> |

*Debt related to certain business-type assets is included in the governmental activities. This debt has not been included in the net investment in capital assets for governmental or business-type activities, but has been reflected in the entity-wide total. See Note 9.

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Activities
For the Year Ended December 31, 2019

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--|----------------------|--------------------------------------|--|--|----------------------------|-----------------------------|----------------------|
| | Expenses | Charges for Services and Sales | Operating Grants, Contributions and Interest | Capital Grants, Contributions and Interest | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities | | | | | | | |
| General Government | \$ 2,274,485 | \$ 1,023,951 | \$ 14,704 | \$ 0 | \$ (1,235,830) | \$ 0 | \$ (1,235,830) |
| Security of Persons and Property | 1,059,603 | 27,792 | 0 | 0 | (1,031,811) | 0 | (1,031,811) |
| Public Health | 28,345 | 0 | 0 | 0 | (28,345) | 0 | (28,345) |
| Leisure Time Services | 873,371 | 39,001 | 0 | 0 | (834,370) | 0 | (834,370) |
| Community Development | 110,117 | 0 | 7,485 | 125,000 | 22,368 | 0 | 22,368 |
| Basic Utility Service | 183,829 | 0 | 0 | 0 | (183,829) | 0 | (183,829) |
| Transportation | 1,201,083 | 0 | 486,775 | 0 | (714,308) | 0 | (714,308) |
| Interest and Fiscal Charges | 106,478 | 0 | 0 | 0 | (106,478) | 0 | (106,478) |
| <i>Total Governmental Activities</i> | <u>5,837,311</u> | <u>1,090,744</u> | <u>508,964</u> | <u>125,000</u> | <u>(4,112,603)</u> | <u>0</u> | <u>(4,112,603)</u> |
| Business-Type Activities | | | | | | | |
| Water | 3,142,310 | 2,819,761 | 0 | 0 | 0 | (322,549) | (322,549) |
| Sewer | 1,902,629 | 2,030,069 | 0 | 100,000 | 0 | 227,440 | 227,440 |
| Sanitation | 1,029,661 | 839,983 | 0 | 0 | 0 | (189,678) | (189,678) |
| <i>Total Business-Type Activities</i> | <u>6,074,600</u> | <u>5,689,813</u> | <u>0</u> | <u>100,000</u> | <u>0</u> | <u>(284,787)</u> | <u>(284,787)</u> |
| <i>Total</i> | <u>\$ 11,911,911</u> | <u>\$ 6,780,557</u> | <u>\$ 508,964</u> | <u>\$ 225,000</u> | <u>(4,112,603)</u> | <u>(284,787)</u> | <u>(4,397,390)</u> |
| General Revenues: | | | | | | | |
| Property Taxes Levied for: | | | | | | | |
| General Purposes | | | | | 368,939 | 0 | 368,939 |
| Income Taxes Levied for: | | | | | | | |
| General Purposes | | | | | 2,351,561 | 0 | 2,351,561 |
| Capital Projects | | | | | 367,035 | 0 | 367,035 |
| Recreational Purposes | | | | | 489,380 | 0 | 489,380 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 317,917 | 0 | 317,917 |
| Gain on Disposal of Capital Assets | | | | | 55,100 | 15,000 | 70,100 |
| Other Local Taxes | | | | | 72,702 | 0 | 72,702 |
| Payments in Lieu of Taxes | | | | | 55,378 | 0 | 55,378 |
| Investment Earnings | | | | | 96,605 | 0 | 96,605 |
| Miscellaneous | | | | | 96,595 | 56,430 | 153,025 |
| <i>Total General Revenues</i> | | | | | <u>4,271,212</u> | <u>71,430</u> | <u>4,342,642</u> |
| Transfers | | | | | 499,201 | (499,201) | 0 |
| <i>Change in Net Position</i> | | | | | <u>657,810</u> | <u>(712,558)</u> | <u>(54,748)</u> |
| <i>Net Position Beginning of Year (Restated, see Note 2)</i> | | | | | <u>12,084,734</u> | <u>19,632,821</u> | <u>31,717,555</u> |
| <i>Net Position End of Year</i> | | | | | <u>\$ 12,742,544</u> | <u>\$ 18,920,263</u> | <u>\$ 31,662,807</u> |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Balance Sheet
Governmental Funds
December 31, 2019

| | General | Parks and Recreation | Capital Improvements | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------------|-------------------------|-----------------------------------|--------------------------------|
| Assets | | | | | |
| Equity in Pooled Cash and Investments | \$ 990,611 | \$ 217,210 | \$ 137,102 | \$ 1,150,367 | \$ 2,495,290 |
| Cash and Investments in Segregated Accounts | 9,405 | 0 | 0 | 0 | 9,405 |
| Accounts Receivable | 67,840 | 0 | 0 | 25,016 | 92,856 |
| Intergovernmental Receivable | 129,746 | 0 | 0 | 238,330 | 368,076 |
| Taxes Receivable | 662,637 | 80,354 | 60,265 | 3,823 | 807,079 |
| Notes Receivable | 0 | 0 | 0 | 238,356 | 238,356 |
| Materials and Supplies Inventory | 1,869 | 14,996 | 0 | 56,069 | 72,934 |
| Payments in Lieu of Taxes Receivable | 0 | 0 | 81,499 | 0 | 81,499 |
| <i>Total Assets</i> | <u>\$ 1,862,108</u> | <u>\$ 312,560</u> | <u>\$ 278,866</u> | <u>\$ 1,711,961</u> | <u>\$ 4,165,495</u> |
| Liabilities | | | | | |
| Accounts Payable | \$ 62,743 | \$ 6,754 | \$ 80 | \$ 6,392 | \$ 75,969 |
| Accrued Wages | 99,566 | 8,945 | 0 | 8,080 | 116,591 |
| Intergovernmental Payable | 54,078 | 3,734 | 0 | 8,720 | 66,532 |
| Payroll Withholdings | 8,739 | 0 | 0 | 0 | 8,739 |
| <i>Total Liabilities</i> | <u>225,126</u> | <u>19,433</u> | <u>80</u> | <u>23,192</u> | <u>267,831</u> |
| Deferred Inflows of Resources | | | | | |
| Property Taxes Levied for the Next Year | 274,000 | 0 | 0 | 0 | 274,000 |
| Unavailable Revenue | 322,622 | 38,806 | 29,105 | 200,894 | 591,427 |
| Payments in Lieu of Taxes for the Next Year | 0 | 0 | 81,499 | 0 | 81,499 |
| <i>Total Deferred Inflows of Resources</i> | <u>596,622</u> | <u>38,806</u> | <u>110,604</u> | <u>200,894</u> | <u>946,926</u> |
| Fund Balances | | | | | |
| Nonspendable | 1,869 | 14,996 | 0 | 56,069 | 72,934 |
| Restricted | 0 | 0 | 168,182 | 1,431,806 | 1,599,988 |
| Committed | 0 | 239,325 | 0 | 0 | 239,325 |
| Assigned | 709,578 | 0 | 0 | 0 | 709,578 |
| Unassigned | 328,913 | 0 | 0 | 0 | 328,913 |
| <i>Total Fund Balances</i> | <u>1,040,360</u> | <u>254,321</u> | <u>168,182</u> | <u>1,487,875</u> | <u>2,950,738</u> |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i> | <u>\$ 1,862,108</u> | <u>\$ 312,560</u> | <u>\$ 278,866</u> | <u>\$ 1,711,961</u> | <u>\$ 4,165,495</u> |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2019

| | | |
|--|-------------|---------------|
| Total Governmental Fund Balances | | \$ 2,950,738 |
| <i>Amounts reported for governmental activities in the statement of net position are different because:</i> | | |
| Capital assets used in governmental activities are not financial | | 17,596,529 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: | | |
| Delinquent Property Taxes | \$ 7,171 | |
| Income Tax | 250,614 | |
| Intergovernmental | 311,793 | |
| Charges for Services | 21,849 | 591,427 |
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. | | 303,314 |
| The net pension liability and net OPEB liability are not due and payable in the current period, therefore, the liability and related deferred inflows/outflows are not reported | | |
| Deferred Outflows - Pension | 1,628,612 | |
| Deferred Outflows - OPEB | 287,604 | |
| Net Pension Liability | (5,780,099) | |
| Net OPEB Liability | (1,576,010) | |
| Deferred Inflows - Pension | (210,036) | |
| Deferred Inflows - OPEB | (250,174) | (5,900,103) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | | |
| General Obligation Bonds | (725,456) | |
| OPWC Loans | (278,095) | |
| OWDA Loans | (1,540,960) | |
| Capital Leases | (36,054) | |
| Compensated Absences | (218,796) | (2,799,361) |
| <i>Net Position of Governmental Activities</i> | | \$ 12,742,544 |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

| | General | Parks and Recreation | Capital Improvements | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------------|-------------------------|-----------------------------------|--------------------------------|
| Revenues | | | | | |
| Property Taxes | \$ 365,281 | \$ 0 | \$ 0 | \$ 0 | \$ 365,281 |
| Income Taxes | 2,340,566 | 485,921 | 364,441 | 0 | 3,190,928 |
| Other Local Taxes | 48,714 | 0 | 0 | 23,988 | 72,702 |
| Charges for Services | 50,932 | 39,001 | 0 | 0 | 89,933 |
| Licenses and Permits | 85,589 | 0 | 0 | 0 | 85,589 |
| Fines and Forfeitures | 607,851 | 0 | 0 | 307,031 | 914,882 |
| Intergovernmental | 317,997 | 50,000 | 125,000 | 412,370 | 905,367 |
| Interest | 96,605 | 0 | 0 | 7,485 | 104,090 |
| Contributions and Donations | 14,704 | 0 | 0 | 0 | 14,704 |
| Payments in Lieu of Taxes | 0 | 0 | 55,378 | 0 | 55,378 |
| Other | 57,141 | 25,508 | 3,759 | 10,187 | 96,595 |
| <i>Total Revenues</i> | <u>3,985,380</u> | <u>600,430</u> | <u>548,578</u> | <u>761,061</u> | <u>5,895,449</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | 1,636,114 | 0 | 80 | 270,930 | 1,907,124 |
| Security of Persons and Property | 2,288,480 | 0 | 11,594 | 0 | 2,300,074 |
| Public Health | 28,345 | 0 | 0 | 0 | 28,345 |
| Leisure Time Services | 14,036 | 541,089 | 39,077 | 0 | 594,202 |
| Community Development | 89,915 | 0 | 0 | 0 | 89,915 |
| Basic Utility Service | 0 | 0 | 183,829 | 0 | 183,829 |
| Transportation | 0 | 0 | 275,022 | 426,514 | 701,536 |
| Debt Service: | | | | | |
| Principal Retirement | 63,328 | 0 | 510,918 | 0 | 574,246 |
| Interest and Fiscal Charges | 11,364 | 0 | 95,114 | 0 | 106,478 |
| <i>Total Expenditures</i> | <u>4,131,582</u> | <u>541,089</u> | <u>1,115,634</u> | <u>697,444</u> | <u>6,485,749</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(146,202)</u> | <u>59,341</u> | <u>(567,056)</u> | <u>63,617</u> | <u>(590,300)</u> |
| Other Financing Source (Uses) | | | | | |
| Inception of Capital Lease | 0 | 0 | 11,594 | 0 | 11,594 |
| Proceeds from Sale of Capital Assets | 0 | 85,000 | 0 | 3,607 | 88,607 |
| Transfers In | 25,000 | 0 | 513,097 | 3,200 | 541,297 |
| Transfers Out | (17,096) | 0 | 0 | (25,000) | (42,096) |
| <i>Total Other Financing Sources (Uses)</i> | <u>7,904</u> | <u>85,000</u> | <u>524,691</u> | <u>(18,193)</u> | <u>599,402</u> |
| <i>Net Change in Fund Balance</i> | (138,298) | 144,341 | (42,365) | 45,424 | 9,102 |
| <i>Fund Balance Beginning of Year</i> | 1,178,216 | 114,858 | 210,547 | 1,442,451 | 2,946,072 |
| Change in Reserve for Inventory | 442 | (4,878) | 0 | 0 | (4,436) |
| <i>Fund Balance End of Year</i> | <u>\$ 1,040,360</u> | <u>\$ 254,321</u> | <u>\$ 168,182</u> | <u>\$ 1,487,875</u> | <u>\$ 2,950,738</u> |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2019*

| | | |
|--|-------------|----------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 9,102 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. | | |
| Capital Asset Additions | \$ 135,423 | |
| Current Year Depreciation | (1,008,292) | (872,869) |
| Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. | | |
| | | (36,090) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property Taxes | 3,658 | |
| Income Tax | 17,047 | |
| Intergovernmental | 24,326 | |
| Accounts | 340 | 45,371 |
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | | |
| General Obligation Bonds | 100,852 | |
| OPWC Loans | 24,700 | |
| OWDA Loans | 396,621 | |
| Capital Lease | 52,073 | 574,246 |
| Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. | | |
| | | (4,436) |
| Inception of capital lease in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues. | | |
| | | (11,594) |
| Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. | | |
| Pension | 388,789 | |
| OPEB | 4,923 | 393,712 |
| Except for amount reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities. | | |
| Pension | (987,412) | |
| OPEB | 1,583,600 | 596,188 |
| The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. | | |
| | | (4,186) |
| Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Accrued Vacation Leave Payable | | |
| Compensated Absences | | (31,634) |
| <i>Change in Net Position of Governmental Activities</i> | \$ | 657,810 |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2019

| | Budgeted Amounts | | | Variance with Final Budget Over (Under) |
|---|-------------------|-------------------|-------------------|--|
| | Original | Final | Actual | |
| Revenues | | | | |
| Property Taxes | \$ 312,800 | \$ 312,800 | \$ 365,281 | \$ 52,481 |
| Income Taxes | 2,229,000 | 2,319,000 | 2,321,238 | 2,238 |
| Other Local Taxes | 63,000 | 63,000 | 49,607 | (13,393) |
| Charges for Services | 41,100 | 41,100 | 50,932 | 9,832 |
| Licenses and Permits | 80,500 | 80,500 | 85,589 | 5,089 |
| Fines and Forfeitures | 708,500 | 708,500 | 610,409 | (98,091) |
| Intergovernmental | 238,700 | 238,700 | 317,997 | 79,297 |
| Interest | 90,000 | 25,000 | 96,605 | 71,605 |
| Contributions and Donations | 0 | 0 | 14,704 | 14,704 |
| Other | 28,500 | 85,800 | 58,432 | (27,368) |
| <i>Total Revenues</i> | <u>3,792,100</u> | <u>3,874,400</u> | <u>3,970,794</u> | <u>96,394</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 1,902,225 | 1,909,872 | 1,630,796 | 279,076 |
| Security of Persons and Property | 2,347,950 | 2,423,603 | 2,297,687 | 125,916 |
| Public Health | 34,000 | 34,000 | 28,345 | 5,655 |
| Leisure Time Services | 0 | 0 | 14,036 | (14,036) |
| Community Development | 90,715 | 90,715 | 89,369 | 1,346 |
| Debt Service: | | | | |
| Principal Retirement | 75,400 | 75,400 | 63,328 | 12,072 |
| Interest and Fiscal Charges | 11,500 | 11,500 | 11,364 | 136 |
| <i>Total Expenditures</i> | <u>4,461,790</u> | <u>4,545,090</u> | <u>4,134,925</u> | <u>410,165</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(669,690)</u> | <u>(670,690)</u> | <u>(164,131)</u> | <u>506,559</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 25,000 | 0 | 25,000 | 25,000 |
| Transfers Out | 0 | (17,100) | (17,096) | 4 |
| <i>Total Other Financing Sources (Uses)</i> | <u>25,000</u> | <u>(17,100)</u> | <u>7,904</u> | <u>25,004</u> |
| <i>Net Change in Fund Balance</i> | (644,690) | (687,790) | (156,227) | 531,563 |
| <i>Fund Balance Beginning of Year</i> | <u>1,135,330</u> | <u>1,135,330</u> | <u>1,135,330</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$ 490,640</u> | <u>\$ 447,540</u> | <u>\$ 979,103</u> | <u>\$ 531,563</u> |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Parks and Recreation Fund
For the Year Ended December 31, 2019

| | Budgeted Amounts | | Actual | Variance with Final Budget Over (Under) |
|---|-------------------|------------------|-------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Income Taxes | \$ 0 | \$ 0 | \$ 480,663 | \$ 480,663 |
| Charges for Services | 37,300 | 37,300 | 39,001 | 1,701 |
| Intergovernmental | 49,000 | 49,000 | 50,000 | 1,000 |
| Other | 18,500 | 18,500 | 25,508 | 7,008 |
| <i>Total Revenues</i> | <u>104,800</u> | <u>104,800</u> | <u>595,172</u> | <u>490,372</u> |
| Expenditures | | | | |
| Current: | | | | |
| Leisure Time Services | 527,450 | 562,050 | 540,772 | 21,278 |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(422,650)</u> | <u>(457,250)</u> | <u>54,400</u> | <u>511,650</u> |
| Other Financing Sources | | | | |
| Proceeds from Sale of Capital Assets | 0 | 0 | 85,000 | 85,000 |
| Transfers In | 450,000 | 450,000 | 0 | (450,000) |
| <i>Total Other Financing Sources</i> | <u>450,000</u> | <u>450,000</u> | <u>85,000</u> | <u>(365,000)</u> |
| <i>Net Change in Fund Balance</i> | 27,350 | (7,250) | 139,400 | 146,650 |
| <i>Fund Balance Beginning of Year</i> | <u>77,811</u> | <u>77,811</u> | <u>77,811</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$ 105,161</u> | <u>\$ 70,561</u> | <u>\$ 217,211</u> | <u>\$ 146,650</u> |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2019

| | Enterprise Funds | | | | Governmental Activities - Internal Service Fund |
|---|----------------------|---------------------|-------------------|----------------------|--|
| | Water | Sewer | Sanitation | Total | |
| Assets | | | | | |
| <i>Current Assets:</i> | | | | | |
| Equity in Pooled Cash and Investments | \$ 854,793 | \$ 1,698,064 | \$ 455,248 | \$ 3,008,105 | \$ 533,216 |
| Cash and Investments in Segregated Accounts | 0 | 0 | 0 | 0 | 1,142 |
| Accounts Receivable | 403,840 | 298,503 | 115,768 | 818,111 | 0 |
| Materials and Supplies Inventory | 108,123 | 12,550 | 20,083 | 140,756 | 0 |
| <i>Total Current Assets</i> | <u>1,366,756</u> | <u>2,009,117</u> | <u>591,099</u> | <u>3,966,972</u> | <u>534,358</u> |
| <i>Non-Current Assets:</i> | | | | | |
| Non-Depreciable Capital Assets | 0 | 12,509,082 | 0 | 12,509,082 | 0 |
| Depreciable Capital Assets, Net | 26,600,720 | 12,739,672 | 476,743 | 39,817,135 | 0 |
| <i>Total Non-Current Assets</i> | <u>26,600,720</u> | <u>25,248,754</u> | <u>476,743</u> | <u>52,326,217</u> | <u>0</u> |
| <i>Total Assets</i> | <u>27,967,476</u> | <u>27,257,871</u> | <u>1,067,842</u> | <u>56,293,189</u> | <u>534,358</u> |
| Deferred Outflows of Resources | | | | | |
| Pension | 320,786 | 195,878 | 170,729 | 687,393 | 0 |
| OPEB | 49,186 | 24,001 | 23,544 | 96,731 | 0 |
| <i>Total Deferred Outflows of Resources</i> | <u>369,972</u> | <u>219,879</u> | <u>194,273</u> | <u>784,124</u> | <u>0</u> |
| Liabilities | | | | | |
| <i>Current Liabilities:</i> | | | | | |
| Accounts Payable | 55,027 | 49,070 | 23,348 | 127,445 | 2,077 |
| Accrued Wages | 23,649 | 16,541 | 13,102 | 53,292 | 0 |
| Contracts Payable | 0 | 948,187 | 0 | 948,187 | 0 |
| Intergovernmental Payable | 8,644 | 11,786 | 4,197 | 24,627 | 0 |
| Claims Payable | 0 | 0 | 0 | 0 | 228,967 |
| Compensated Absences Payable | 21,098 | 22,671 | 10,036 | 53,805 | 0 |
| OPWC Loans Payable | 21,046 | 22,500 | 0 | 43,546 | 0 |
| OWDA Loans Payable | 487,706 | 344,683 | 0 | 832,389 | 0 |
| <i>Total Current Liabilities</i> | <u>617,170</u> | <u>1,415,438</u> | <u>50,683</u> | <u>2,083,291</u> | <u>231,044</u> |
| <i>Long-Term Liabilities:</i> | | | | | |
| Compensated Absences Payable - Net of Current Portion | 23,471 | 16,698 | 9,744 | 49,913 | 0 |
| OPWC Loans Payable - Net of Current Portion | 1,022,947 | 787,500 | 0 | 1,810,447 | 0 |
| OWDA Loans Payable - Net of Current Portion | 13,471,357 | 17,537,393 | 0 | 31,008,750 | 0 |
| Net Pension Liability | 989,418 | 643,122 | 544,180 | 2,176,720 | 0 |
| Net OPEB Liability | 442,941 | 287,912 | 243,617 | 974,470 | 0 |
| <i>Total Long-Term Liabilities</i> | <u>15,950,134</u> | <u>19,272,625</u> | <u>797,541</u> | <u>36,020,300</u> | <u>0</u> |
| <i>Total Liabilities</i> | <u>16,567,304</u> | <u>20,688,063</u> | <u>848,224</u> | <u>38,103,591</u> | <u>231,044</u> |
| Deferred Inflows of Resources | | | | | |
| Pension | 20,972 | 13,840 | 7,145 | 41,957 | 0 |
| OPEB | 6,461 | 4,380 | 661 | 11,502 | 0 |
| <i>Total Deferred Inflows of Resources</i> | <u>27,433</u> | <u>18,220</u> | <u>7,806</u> | <u>53,459</u> | <u>0</u> |
| Net Position | | | | | |
| Net Investment in Capital Assets | 11,597,664 | 5,608,491 | 476,743 | 17,682,898 * | 0 |
| Unrestricted (Deficit) | 145,047 | 1,162,976 | (70,658) | 1,237,365 | 303,314 |
| <i>Total Net Position</i> | <u>\$ 11,742,711</u> | <u>\$ 6,771,467</u> | <u>\$ 406,085</u> | <u>\$ 18,920,263</u> | <u>\$ 303,314</u> |

*Debt related to certain business-type assets is included in the governmental activities. This debt has not been included in the net investment in capital assets for governmental or business-type activities, but has been reflected in the entity-wide total. See Note 9.

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2019

| | Enterprise Funds | | | Total | Governmental Activities - Internal Service Fund |
|---|----------------------|---------------------|-------------------|----------------------|--|
| | Water | Sewer | Sanitation | | |
| Operating Revenues | | | | | |
| Charges for Services | \$ 2,819,761 | \$ 2,030,069 | \$ 839,983 | \$ 5,689,813 | \$ 1,267,421 |
| Other | 21,033 | 12,410 | 22,987 | 56,430 | 0 |
| <i>Total Operating Revenues</i> | <u>2,840,794</u> | <u>2,042,479</u> | <u>862,970</u> | <u>5,746,243</u> | <u>1,267,421</u> |
| Operating Expenses | | | | | |
| Personal Services | 979,519 | 635,385 | 592,201 | 2,207,105 | 0 |
| Contractual Services | 280,986 | 661,976 | 258,323 | 1,201,285 | 302,273 |
| Materials and Supplies | 285,526 | 167,816 | 102,831 | 556,173 | 0 |
| Claims | 0 | 0 | 0 | 0 | 968,927 |
| Depreciation | 1,052,075 | 457,859 | 70,423 | 1,580,357 | 0 |
| Other | 5,882 | 5,882 | 5,883 | 17,647 | 407 |
| <i>Total Operating Expenses</i> | <u>2,603,988</u> | <u>1,928,918</u> | <u>1,029,661</u> | <u>5,562,567</u> | <u>1,271,607</u> |
| <i>Operating Income (Loss)</i> | <u>236,806</u> | <u>113,561</u> | <u>(166,691)</u> | <u>183,676</u> | <u>(4,186)</u> |
| Non-Operating Revenues (Expense) | | | | | |
| Gain on Sale of Capital Assets | 15,000 | 0 | 0 | 15,000 | 0 |
| Loss on Sale of Capital Assets | (84,067) | 0 | 0 | (84,067) | 0 |
| Interest and Fiscal Charges | (454,255) | 26,289 | 0 | (427,966) | 0 |
| <i>Total Non-Operating Revenues (Expense)</i> | <u>(523,322)</u> | <u>26,289</u> | <u>0</u> | <u>(497,033)</u> | <u>0</u> |
| <i>Income (Loss) Before Capital Contributions and Transfers</i> | <u>(286,516)</u> | <u>139,850</u> | <u>(166,691)</u> | <u>(313,357)</u> | <u>(4,186)</u> |
| Capital Contributions | 0 | 100,000 | 0 | 100,000 | 0 |
| Transfers Out | (470,204) | (28,997) | 0 | (499,201) | 0 |
| <i>Total Capital Contributions and Transfers</i> | <u>(470,204)</u> | <u>71,003</u> | <u>0</u> | <u>(399,201)</u> | <u>0</u> |
| <i>Change in Net Position</i> | <u>(756,720)</u> | <u>210,853</u> | <u>(166,691)</u> | <u>(712,558)</u> | <u>(4,186)</u> |
| <i>Net Position Beginning of Year (Restated, see Note 2)</i> | <u>12,499,431</u> | <u>6,560,614</u> | <u>572,776</u> | <u>19,632,821</u> | <u>307,500</u> |
| <i>Net Position End of Year</i> | <u>\$ 11,742,711</u> | <u>\$ 6,771,467</u> | <u>\$ 406,085</u> | <u>\$ 18,920,263</u> | <u>\$ 303,314</u> |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

| | Enterprise Funds | | | | Governmental Activities - Internal Service Fund |
|--|---------------------|---------------------|-------------------|---------------------|--|
| | Water | Sewer | Sanitation | Total | |
| Cash Flows from Operating Activities | | | | | |
| Cash Received from Customers | \$ 2,812,025 | \$ 1,998,283 | \$ 838,749 | \$ 5,649,057 | \$ 1,267,421 |
| Cash Received from Other Operating Receipts | 21,033 | 12,410 | 22,987 | 56,430 | 0 |
| Cash Payments to Suppliers for Goods and Services | (278,479) | (364,495) | (104,947) | (747,921) | 0 |
| Cash Payments to Employees for Services and Benefits | (775,229) | (508,807) | (458,289) | (1,742,325) | 0 |
| Cash Payments for Contractual Services | (278,275) | (455,140) | (258,501) | (991,916) | (305,487) |
| Cash Payments for Claims | 0 | 0 | 0 | 0 | (771,464) |
| Other Cash Payments | (5,882) | (5,882) | (5,883) | (17,647) | (407) |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | <u>1,495,193</u> | <u>676,369</u> | <u>34,116</u> | <u>2,205,678</u> | <u>190,063</u> |
| Cash Flows from Capital and Related Financing Activities | | | | | |
| Proceeds of OWDA Loans | 0 | 11,424,429 | 0 | 11,424,429 | 0 |
| Acquisition of Capital Assets | (85,953) | (10,247,858) | 0 | (10,333,811) | 0 |
| Proceeds of Sale of Capital Asset | 15,000 | 0 | 0 | 15,000 | 0 |
| Transfers Out for Capital Debt Retirement | (470,204) | (28,997) | 0 | (499,201) | 0 |
| Principal Payments on Debt | (515,058) | (1,511,258) | 0 | (2,026,316) | 0 |
| Interest Payments on Debt | (454,255) | (69,114) | 0 | (523,369) | 0 |
| <i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i> | <u>(1,510,470)</u> | <u>(432,798)</u> | <u>0</u> | <u>(1,943,268)</u> | <u>0</u> |
| <i>Net Increase (Decrease) in Cash and Investments</i> | (15,277) | 243,571 | 34,116 | 262,410 | 190,063 |
| <i>Cash and Investments Beginning of Year -Restated</i> | <u>870,070</u> | <u>1,454,493</u> | <u>421,132</u> | <u>2,745,695</u> | <u>344,295</u> |
| <i>Cash and Investments End of Year</i> | <u>\$ 854,793</u> | <u>\$ 1,698,064</u> | <u>\$ 455,248</u> | <u>\$ 3,008,105</u> | <u>\$ 534,358</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities | | | | | |
| Operating Income (Loss) | \$ 236,806 | \$ 113,561 | \$ (166,691) | \$ 183,676 | \$ (4,186) |
| Adjustments: | | | | | |
| Depreciation | 1,052,075 | 457,859 | 70,423 | 1580357 | - |
| (Increase) Decrease in Assets and Deferred Outflows: | | | | | |
| Accounts Receivable | (7,736) | (31,786) | (1,234) | -40756 | - |
| Materials and Supplies Inventory | 2,569 | 2,065 | - | 4634 | - |
| Deferred Outflows - Pension/OPEB | (215,765) | (108,795) | (82,429) | -406989 | - |
| Increase (Decrease) in Liabilities and Deferred Inflows: | | | | | |
| Accounts Payable | 7,059 | 7,179 | (2,134) | 12104 | (3,214) |
| Accrued Wages | 5,498 | 3,556 | 2,944 | 11998 | - |
| Claims Payable | - | - | - | 0 | 197,463 |
| Compensated Absences Payable | 4,829 | 295 | 9,197 | 14321 | - |
| Intergovernmental Payable | (2,179) | (766) | (852) | -3797 | - |
| Deferred Inflows - Pension/OPEB | (148,748) | (101,493) | (78,309) | -328550 | - |
| Net Pension Liability | 465,231 | 284,468 | 240,703 | 990402 | - |
| Net OPEB Liability | 95,554 | 50,226 | 42,498 | 188278 | - |
| <i>Net Cash Provided by (Used For) Operating Activities</i> | <u>\$ 1,495,193</u> | <u>\$ 676,369</u> | <u>\$ 34,116</u> | <u>\$ 2,205,678</u> | <u>\$ 190,063</u> |

Noncash Capital Financing Activities:

During the year, OWDA forgave \$100,000 of loans. These proceeds were used in capital asset acquisitions. The City also purchased \$948,187 and \$225,215 of capital assets on account in 2019 and 2018, respectively.

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2019

| | <u>Custodial Fund</u> |
|---|-----------------------|
| Assets | |
| Cash and Investments in Segregated Accounts | \$ 48,191 |
| | <u>48,191</u> |
| Liabilities | |
| Due to Other Governments | \$ 48,191 |
| | <u>48,191</u> |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2019

| | Custodial Funds |
|--|--------------------|
| Additions | |
| Fines & Forfeitures for Other Governments | \$ 965,926 |
| Deductions | |
| Fines & Forfeitures Distributions to Other Governments | 965,926 |
| <i>Change in Net Position</i> | 0 |
| <i>Net Position Beginning of Year</i> | 0 |
| <i>Net Position End of Year</i> | \$ 0 |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 1 -- DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

The City of Upper Sandusky (the City) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under the mayor-council form of charter government as approved on October 25, 1976. The City provides police protection within its boundaries and fire protection to its citizens and adjacent townships. The City provides basic utilities in the form of water, wastewater treatment and sanitation pick up. The City constructs and maintains streets and sidewalks within the City. The City also operates a swimming pool and maintains three parks.

Reporting Entity: A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financials 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; the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Components units may also include organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt or the levying of their taxes. The City has no component units.

The City's Municipal Court has been included in the City's financial statements as a custodial fund. The judge is an elected city official who has a fiduciary responsibility for the collection and distribution of court fees and fines.

The City participates in a public entity risk pool, the Public Entities Pool of Ohio. Note 6 to the financial statements provides additional information for this entity.

Management believes the financial statements included in this report represent all of the funds of the City over which the City has the ability to exercise direct operating control.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Following are the most significant of the City's accounting policies.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

A. 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 the fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" of revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

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

Debt related to certain business-type assets is included in the governmental activities. This debt has not been included in the invested in capital assets, net of related debt for the governmental or business-type activities but has been reflected in the entity-wide total. See Note 9.

Fund Financial Statements

During the year, the City segregates transactions related to certain City programs 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 a more detail level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. FUND ACCOUNTING

The City uses funds to report on financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary.

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Governmental Funds

Governmental funds focus 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 be or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for 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.

Parks and Recreation Fund - The park and recreation fund accounts the operations of the City pool and maintenance of various City parks.

Capital Improvements Fund - The capital improvements fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.

The other governmental funds of the City are for grants and other resources, debt service, and capital projects to which the City is bound to observe constraints imposed upon the use of the resources.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and 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 City's major enterprise funds are:

Water Fund - This fund accounts for the financial transactions related to water operations of the City.

Sewer Fund - This fund accounts for the financial transactions related to the sewer treatment service operations of the City.

Sanitation Fund - This fund accounts for the financial transactions related to the refuse pickup operations of the City.

Internal Service Fund - The internal service fund accounts 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 only internal service fund accounts for a self-insurance program for employee medical benefits.

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Fiduciary Funds

Fiduciary funds 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. Presently, the City has no trust funds, investment trust funds or private-purpose trust funds. The City presently has one custodial fund for the Municipal Court.

C. MEASUREMENT FOCUS

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position.

Fund Financial Statements

All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only assets and deferred outflows of resources and liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and others 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 statements for governmental funds.

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

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

D. 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 in the presentation of expenses versus expenditures.

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Revenues - Exchange and Non-exchange 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 a 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.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used of the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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, fines and forfeitures, entitlements, and state-levied locally shared taxes (including gasoline tax and motor vehicle license fees).

Deferred Inflows of Resources and Deferred Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent 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, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 11 and 12.

In addition to liabilities, the statements of financial position 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, payments in lieu of taxes, pension, OPEB 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. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and 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 may include delinquent property taxes, income taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12).

City of Upper Sandusky
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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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. BUDGET

An annual appropriated budget is required by law to be prepared for all funds of the City other than custodial funds. Council passes appropriations at the fund, department and object level. Council must approve any revisions in the budget that alter appropriations at this legal level of control.

The following are the procedures used by the City in establishing the budgetary data reported in the basic financial statements:

Tax Budget

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The 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 projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing 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 appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the first and final amended official certificate of estimated resources issued during 2019.

Appropriations

A temporary appropriation resolution to control expenditures may be passed on or about January 1 of each year for the period of January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution fixes spending authority at the fund, department, and object level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. Several supplemental

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appropriation ordinances were legally enacted by Council during the year. The budget figures, which appear in the statement of budgetary comparisons, present the original and final appropriation amounts including all amendments and modifications.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

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 appropriations. The encumbered appropriation balance is carried forward to the succeeding year and need not be reappropriated.

F. DEPOSITS

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund balance integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in pooled cash and investments" on the combined balance sheet.

During 2019, investments were limited to CDARS. Except for nonparticipating investment contracts, investments are reported at fair value. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during year 2019 amounted to \$96,605 which included \$78,418 assigned from other funds of the City.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented on the statement of fiduciary assets and liabilities as "Cash and Investments in Segregated Accounts" since they are not required to be deposited into the City's treasury.

For presentation on the financial statements, investments of the cash management pool and investments with a 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 that are not purchased from the pool are reported as "investments."

G. INVENTORIES

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

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On the 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 consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reporting of inventories on the accrual basis is expensed when used.

H. 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 government funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000. Public domain ("infrastructure") general capital assets consisting of roads, highways, tunnels, bridges, curbs, sidewalks, fire hydrants, guard rails, landscaping, streets, drainage systems and lighting systems have been capitalized under requirements of the Governmental Accounting Standards Board. Improvements are capitalized and the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets other than land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Buildings and Improvements | 20 - 40 Years |
| Machinery and Equipment | 5 - 20 Years |
| Vehicles | 8 Years |
| Infrastructure | 50 Years |

I. INTERFUND BALANCES

On fund financial statements, transactions representing services rendered between funds are classified as "Due to Other Funds" and "Due from Other Funds". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

City of Upper Sandusky
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J. COMPENSATED ABSENCES

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

The City reports compensated absences in accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to payment are attributable to services already rendered; and it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

Sick leave benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year-end taking into consideration any limits specified in the City's termination policy. The City records a liability for all accumulated unused vacation time when earned for all employees. The entire compensated absence liability is reported on the government-wide financial statements.

K. PENSIONS/OTHER POSTEMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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.

L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements; and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. 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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal 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.

M. FUND BALANCE

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

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Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually 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 placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or 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 the City. The Council has by resolution authorized the auditor to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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 used only to report a deficit 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 either restricted or unrestricted (committed, assigned and unassigned) amounts are 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.

N. NET POSITION

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At year-end, there was no net position restricted for enabling legislation.

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

O. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary funds. For the City, these revenues are service charges for water, sewer, sanitation, and self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenue and expenses not meeting these definitions are classified as non-operating.

P. CONTRIBUTION OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grant or outside contributions of resources restricted to capital acquisition and construction.

Q. INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the governmental-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 transfers in or out. Transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expense in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

R. EXTRAORDINARY AND SPECIAL ITEMS

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2019.

S. ESTIMATES

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

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T. IMPLEMENTATION OF NEW ACCOUNTING POLICIES AND RESTATEMENT OF NET POSITION/FUND BALANCE

Implementation of New Accounting Principles

For the year ended December 31, 2019, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

For the year ended December 31, 2019, the City has early implemented GASB 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*, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and GASB Statement No. 90, *Majority Equity Interests and amendment of GASB Statements No. 14 and No. 61*.

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. 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 funds for proper classification, and any fund reclassifications did not have an effect on the City's financial statements (see below).

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. These changes were incorporated in the City's 2019 financial statements; however, there was no effect on beginning net position.

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GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the City's 2019 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the City.

Restatement Due to Fund Reclassification

The beginning net position was restated for governmental activities and the internal service fund due to a misclassification of fund type for self-insurance benefits.

| | Governmental Activities | Internal Service Fund |
|--|----------------------------|--------------------------|
| Net Position, December 31, 2018 | \$ 12,093,531 | \$ 316,297 |
| Change in Fund Classification | (8,797) | (8,797) |
| Restated Net Position, December 31, 2018 | \$ 12,084,734 | \$ 307,500 |

Due to the implementation of GASB Statement No. 84, the new classification of custodial funds is reporting a beginning net position of \$0. 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 \$37,935.

Restatement of Capital Assets

During 2019, it was determined that capital assets within the water and sewer funds had been overstated by \$165,480 at December 31, 2018. The correction of capital assets had the following effect on net position as reported on December 31, 2018

| | Water | Sewer | Sanitation | Total Business-Type Activities |
|--|---------------|--------------|------------|--------------------------------------|
| Net Position, December 31, 2018 | \$ 12,684,773 | \$ 6,540,752 | \$ 572,776 | \$ 19,798,301 |
| Capital Asset Restatement | (185,342) | 19,862 | 0 | (165,480) |
| Restated Net Position, December 31, 2018 | \$ 12,499,431 | \$ 6,560,614 | \$ 572,776 | \$ 19,632,821 |

NOTE 3 -- BUDGET 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 and disbursements. The "statement of revenue, expenditures, and changes in fund balance - budget (non-GAAP basis) and actual" 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:

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1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. 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 a restriction, commitment or assignment of fund balance for that portion of outstanding encumbrances not already recognized as payables (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general and parks and recreation funds are as follows:

| Net Change in Fund Balance | | |
|---|--------------|------------------------------|
| | General Fund | Parks and Recreation Fund |
| GAAP Basis | \$ (138,298) | \$ 144,341 |
| Net Adjustment for Revenue Accruals | (14,586) | (5,258) |
| Net Adjustment for Expenditure Accruals | (3,343) | 317 |
| Budget Basis | \$ (156,227) | \$ 139,400 |

NOTE 4 -- DEPOSITS AND INVESTMENTS

State statutes classify deposits 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 two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the City's 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

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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.

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

1. United States Treasury bills, bonds, notes 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 obligation or security issued by any federal government agency or instrumentality, including but not limited to the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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 2 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;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 40 percent of the interim monies available for investment at any one time for a period not to exceed one hundred eighty days and two hundred and seventy days, respectively.
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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. 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 the delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand

At December 31, 2019 the City had \$675 in undeposited cash on hand, which is included as part of "Equity in Pooled Cash and Investments."

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Deposits

At year-end, \$1,060,509 of the City's bank balance of \$6,219,666 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the City's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party. The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required 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.

NOTE 5 -- RECEIVABLES

Receivables at December 31, 2019, consisted primarily of municipal income taxes, property and other taxes, due from other governments arising from entitlements, shared revenues, accounts (billings for utility service), revenue in lieu of taxes, and notes receivable. No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2019 for real and public utility property taxes represents collections of the 2018 taxes.

2019 real property taxes were levied after October 1, 2019 on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

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 tangible personal property currently 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 which became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

City of Upper Sandusky
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For the Year Ended December 31, 2019

The full tax rate for all City operations for the year ended December 31, 2019, was \$3.80 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2019 property tax receipts were based are as follows:

| <u>Category</u> | <u>Assessed Value</u> |
|-----------------------------|-----------------------|
| Real Property | \$ 112,660,400 |
| Public Utilities - Real | 27,150 |
| Public Utilities - Personal | <u>5,616,670</u> |
| | <u>\$ 118,304,220</u> |

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2019, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2019 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Income Taxes

The City levies and collects an income tax of 1 percent on all income earned within the City as well as on incomes of residents earned outside the City. 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. Council has authority to establish re-allocation of income tax as needed. After defraying all necessary costs of collecting, administering, and enforcing the tax, the balance shall be allocated 72 percent to the general fund, 16 percent to the parks and recreation fund and 12 percent to the capital improvement fund.

NOTE 6 -- Risk Management

Risk Pool Membership

The City is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the City's policy.

The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

City of Upper Sandusky
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

| | |
|-----------------------|---------------|
| | <u>2019</u> |
| Cash and Investments | \$ 38,432,610 |
| Actuarial Liabilities | \$ 14,705,917 |

There has not been a significant reduction in commercial coverage from the prior year and settled claims have not exceeded coverage in any of the last three years.

Workers Compensation

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

Health and Prescription Coverage

Effective January 1, 2016 the City began providing medical insurance to its employees through a self-insurance plan. The City pays a monthly administrative premium, including a stop-loss fee, for the self-insurance plan. The City contracts with a third-party administrator to direct this program. During 2019, self-insurance was in effect for claims up to \$35,000 per covered individual and \$1,067,861 in aggregate. Any claims exceeding these thresholds are covered by a stop-loss insurance policy.

At December 31, 2019, \$228,967 has been accrued for self-insurance claims. The claims liability reported in the self-insurance fund is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. This represents estimates to be paid for medical and prescription unpaid claims costs, including an estimate of costs relating to incurred but not yet reported claims based on the current information available.

A reconciliation of the changes in the balance of claims liabilities during 2018 and 2019 follows:

| | <u>Balance</u> | <u>Current</u> | <u>Claims</u> | <u>Balance</u> |
|------|--------------------------|--------------------|-----------------|--------------------|
| | <u>Beginning of Year</u> | <u>Year Claims</u> | <u>Payments</u> | <u>End of Year</u> |
| 2018 | \$ 70,704 | \$ 522,410 | \$ 561,610 | \$ 31,504 |
| 2019 | 31,504 | 968,927 | 771,464 | 228,967 |

City of Upper Sandusky
Wyandot County, Ohio
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For the Year Ended December 31, 2019

NOTE 7 -- CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019:

| | Balance 12/31/2018 | Additions | Deletions | Balance 12/31/2019 |
|---|--------------------------|-------------------------|------------------------|--------------------------|
| Governmental Activities | | | | |
| <i>Capital Assets, Not Being Depreciated</i> | | | | |
| Land | \$ 788,900 | \$ 0 | \$ (29,900) | \$ 759,000 |
| <i>Capital Assets, Being Depreciated</i> | | | | |
| Buildings and Improvements | 4,777,787 | 123,883 | 0 | 4,901,670 |
| Machinery and Equipment | 1,497,149 | 11,540 | 0 | 1,508,689 |
| Infrastructure | 27,125,075 | 0 | 0 | 27,125,075 |
| Vehicles | 2,149,029 | 0 | (61,898) | 2,087,131 |
| <i>Total Capital Assets, Being Depreciated</i> | <u>35,549,040</u> | <u>135,423</u> | <u>(61,898)</u> | <u>35,622,565</u> |
| <i>Accumulated Depreciation</i> | | | | |
| Buildings and Improvements | (3,628,837) | (120,862) | 0 | (3,749,699) |
| Machinery and Equipment | (948,558) | (87,699) | 0 | (1,036,257) |
| Infrastructure | (12,302,125) | (606,353) | 0 | (12,908,478) |
| Vehicles | (952,932) | (193,378) | 55,708 | (1,090,602) |
| <i>Total Accumulated Depreciated</i> | <u>(17,832,452)</u> | <u>(1,008,292)</u> | <u>55,708</u> | <u>(18,785,036)</u> |
| <i>Total Capital Assets Being Depreciated, Net</i> | <u>17,716,588</u> | <u>(872,869)</u> | <u>(6,190)</u> | <u>16,837,529</u> |
| <i>Governmental Activities, Capital Assets, Net</i> | <u>\$ 18,505,488</u> | <u>\$ (872,869)</u> | <u>\$ (36,090)</u> | <u>\$ 17,596,529</u> |

General Government:

| | |
|----------------------------------|---------------------|
| Legislative and Executive | \$ 44,099 |
| Judicial | 15,499 |
| Security of Persons and Property | 167,312 |
| Transportation | 592,728 |
| Leisure Time Activities | 188,654 |
| Total Depreciation | <u>\$ 1,008,292</u> |

City of Upper Sandusky
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For the Year Ended December 31, 2019

| | Restated Balance 12/31/2018 | Additions | Deletions | Balance 12/31/2019 |
|--|-----------------------------------|----------------------|--------------------|-----------------------|
| Business-Type Activities | | | | |
| Water | | | | |
| <i>Capital Assets, Being Depreciated</i> | | | | |
| Buildings and Improvements | \$ 18,304,765 | \$ 0 | \$ 0 | \$ 18,304,765 |
| Machinery and Equipment | 3,626,429 | 85,953 | (160,128) | 3,552,254 |
| Infrastructure | 18,882,789 | 0 | 0 | 18,882,789 |
| Vehicles | 252,896 | 0 | 0 | 252,896 |
| <i>Total Capital Assets, Being Depreciated</i> | <u>41,066,879</u> | <u>85,953</u> | <u>(160,128)</u> | <u>40,992,704</u> |
| <i>Accumulated Depreciation</i> | | | | |
| Buildings and Improvements | (3,761,949) | (460,996) | 0 | (4,222,945) |
| Machinery and Equipment | (1,506,768) | (211,113) | 76,061 | (1,641,820) |
| Infrastructure | (8,068,979) | (356,967) | 0 | (8,425,946) |
| Vehicles | (78,274) | (22,999) | 0 | (101,273) |
| <i>Total Accumulated Depreciated</i> | <u>(13,415,970)</u> | <u>(1,052,075)</u> | <u>76,061</u> | <u>(14,391,984)</u> |
| <i>Business-Type Activities, Capital Assets, Net</i> | <u>\$ 27,650,909</u> | <u>\$ (966,122)</u> | <u>\$ (84,067)</u> | <u>\$ 26,600,720</u> |
| Business-Type Activities | | | | |
| Sewer | | | | |
| <i>Capital Assets, Not Being Depreciated</i> | | | | |
| Construction in Progress | <u>\$ 1,576,499</u> | <u>\$ 10,932,583</u> | <u>\$ 0</u> | <u>\$ 12,509,082</u> |
| <i>Capital Assets, Being Depreciated</i> | | | | |
| Buildings and Improvements | 2,553,439 | 0 | 0 | 2,553,439 |
| Machinery and Equipment | 1,780,118 | 38,247 | 0 | 1,818,365 |
| Infrastructure | 18,611,792 | 0 | 0 | 18,611,792 |
| Vehicles | 421,294 | 0 | 0 | 421,294 |
| <i>Total Capital Assets, Being Depreciated</i> | <u>23,366,643</u> | <u>38,247</u> | <u>0</u> | <u>23,404,890</u> |
| <i>Accumulated Depreciation</i> | | | | |
| Buildings and Improvements | (1,705,909) | (57,171) | 0 | (1,763,080) |
| Machinery and Equipment | (1,345,953) | (35,295) | 0 | (1,381,248) |
| Infrastructure | (6,891,720) | (334,575) | 0 | (7,226,295) |
| Vehicles | (263,777) | (30,818) | 0 | (294,595) |
| <i>Total Accumulated Depreciated</i> | <u>(10,207,359)</u> | <u>(457,859)</u> | <u>0</u> | <u>(10,665,218)</u> |
| <i>Total Capital Assets Being Depreciated, Net</i> | <u>13,159,284</u> | <u>(419,612)</u> | <u>0</u> | <u>12,739,672</u> |
| <i>Business-Type Activities, Capital Assets, Net</i> | <u>\$ 14,735,783</u> | <u>\$ 10,512,971</u> | <u>\$ 0</u> | <u>\$ 25,248,754</u> |

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

| | Balance 12/31/2018 | Additions | Deletions | Balance 12/31/2019 |
|--|-----------------------|--------------------|-------------|-----------------------|
| Business-Type Activities | | | | |
| | Sanitation | | | |
| <i>Capital Assets, Being Depreciated</i> | | | | |
| Machinery and Equipment | \$ 61,050 | \$ 0 | \$ 0 | \$ 61,050 |
| Vehicles | 722,698 | 0 | 0 | 722,698 |
| <i>Total Capital Assets, Being Depreciated</i> | <u>783,748</u> | <u>0</u> | <u>0</u> | <u>783,748</u> |
| <i>Accumulated Depreciation</i> | | | | |
| Machinery and Equipment | (9,700) | (4,834) | 0 | (14,534) |
| Vehicles | (226,882) | (65,589) | 0 | (292,471) |
| <i>Total Accumulated Depreciated</i> | <u>(236,582)</u> | <u>(70,423)</u> | <u>0</u> | <u>(307,005)</u> |
| <i>Business-Type Activities, Capital Assets, Net</i> | <u>\$ 547,166</u> | <u>\$ (70,423)</u> | <u>\$ 0</u> | <u>\$ 476,743</u> |

NOTE 8 -- COMPENSATED ABSENCES

The City accrues unpaid vacation and compensation time as it is earned and certain portions of sick leave pay as payment becomes probable.

Sick leave accumulates at the rate of .0575 hours of sick leave for each hour of work completed with a maximum of 80 hours per pay period. Sick leave is accumulated and may be converted into cash upon retirement with more than ten years of service at the rate of 30 percent for all employees of the police and fire department to a maximum of 600 hours and a maximum of 480 hours for all other personnel. Individuals leaving the employment of the City prior to retirement or at retirement with less than ten years of service lose their accumulated sick leave. At December 31, 2019, the maximum vested liability to the City for accumulated unpaid sick leave, assuming the City would have to pay all accumulated sick leave if the City ceased operations is estimated at \$134,480. A liability has been recognized in the accompanying financial statements for sick leave for only the employees who have ten years of service and are age 50 or older, or have thirty years with local government employment.

A liability for accrued vacation and holidays of \$188,034 has been recognized. Vacation is accumulated based upon length of service as follows:

| <u>Employee Service</u> | <u>Vacation Credit</u> |
|-------------------------|------------------------|
| After 1 year | 2 weeks |
| After 8 years | 3 weeks |
| After 15 years | 4 weeks |
| After 22 years | 5 weeks |

Vacation leave must be used within the current calendar year unless the employee is unable to use his vacation due to the operational needs of the Employer. Without this, such excess leave is eliminated from the employee's leave balance. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation.

City of Upper Sandusky
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 9 -- LONG TERM LIABILITIES

The City's long-term obligations at year-end and a schedule of current year activity follows:

| | Balance 12/31/2018 | Additions | Deductions | Balance 12/31/2019 | Amount Due Within One Year |
|--|--------------------------|-------------------------|-------------------------|--------------------------|----------------------------------|
| Governmental Activities: | | | | | |
| <i>General Obligation Bonds:</i> | | | | | |
| Capital Improvement Bonds - 2005 | \$ 250,000 | \$ 0 | \$ 30,000 | \$ 220,000 | * \$ 32,000 |
| <i>Direct Placements:</i> | | | | | |
| Fire Truck Bond, Series 2014 | 261,908 | 0 | 40,252 | 221,656 | 41,560 |
| Fire Truck Bond, Series 2017 | 314,400 | 0 | 30,600 | 283,800 | 31,600 |
| <i>Total Direct Placements</i> | <u>576,308</u> | <u>0</u> | <u>70,852</u> | <u>505,456</u> | <u>73,160</u> |
| <i>Direct Borrowings:</i> | | | | | |
| <i>OWDA Loan:</i> | | | | | |
| 2002 Reservoir Construction | 1,937,581 | 0 | 396,621 | 1,540,960 | * 415,278 |
| <i>OPWC Loans:</i> | | | | | |
| 2004 Rock Run Road Improvements | 22,920 | 0 | 3,820 | 19,100 | * 1,910 |
| 2005 CSO Removal | 82,178 | 0 | 12,642 | 69,536 | * 6,321 |
| 2011 Commerce Drive Storm Drainage | 197,697 | 0 | 8,238 | 189,459 | * 4,119 |
| <i>Total OPWC Loans</i> | <u>302,795</u> | <u>0</u> | <u>24,700</u> | <u>278,095</u> | <u>12,350</u> |
| <i>Total Direct Borrowings</i> | <u>2,240,376</u> | <u>0</u> | <u>421,321</u> | <u>1,819,055</u> | <u>427,628</u> |
| <i>Other Long-Term Obligations:</i> | | | | | |
| Net Pension Liability | 3,842,585 | 1,937,514 | 0 | 5,780,099 | 0 |
| Net OPEB Liability | 3,137,760 | 0 | 1,561,750 | 1,576,010 | 0 |
| Compensated Absences | 187,162 | 141,146 | 109,512 | 218,796 | 134,229 |
| Capital Leases | 76,533 | 11,594 | 52,073 | 36,054 | * 25,958 |
| <i>Total Other Long-Term Obligations</i> | <u>7,244,040</u> | <u>2,090,254</u> | <u>1,723,335</u> | <u>7,610,959</u> | <u>160,187</u> |
| Total Governmental Activities | <u>\$ 10,310,724</u> | <u>\$ 2,090,254</u> | <u>\$ 2,245,508</u> | <u>\$ 10,155,470</u> | <u>\$ 692,975</u> |

*These debt issues are recorded in governmental activities to finance assets of the business-type activities. See notation on pages 13 and 20 for a further description of the presentation on the statement of net position.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

| | Balance | | | Amount Due | |
|--|----------------------|----------------------|---------------------|-----------------------|--------------------|
| | 12/31/2018 | Additions | Deductions | Balance 12/31/2019 | Within One Year |
| Business-Type Activities: | | | | | |
| <i>Direct Borrowings:</i> | | | | | |
| <i>OWDA Loans:</i> | | | | | |
| 2010 WTP & Storage Tower | \$ 12,678,090 | \$ 0 | \$ 387,074 | \$ 12,291,016 | \$ 399,992 |
| 2013 Warpole Waterlines installed | 457,895 | 0 | 13,794 | 444,101 | 14,168 |
| 2013 NE Quadrant Waterlines | 1,296,043 | 0 | 72,097 | 1,223,946 | 73,546 |
| 2016 Sewer Separation | 6,898,909 | 0 | 341,262 | 6,557,647 | 344,683 |
| 2017 WWTP Upgrades CSO Planning | 1,124,996 | 0 | 1,124,996 | 0 | 0 |
| 2019 WWTP Upgrades | 0 | 11,324,429 | 0 | 11,324,429 | 0 |
| 2019 WWTP Upgrades Principal Forgiveness | 0 | 100,000 | 100,000 | 0 | 0 |
| <i>Total OWDA Loans</i> | <u>22,455,933</u> | <u>11,424,429</u> | <u>2,039,223</u> | <u>31,841,139</u> | <u>832,389</u> |
| <i>OPWC Loans:</i> | | | | | |
| 2013 Elevated Tank Painting | 424,999 | 0 | 16,667 | 408,332 | 8,333 |
| 2013 Waterline replacement | 299,841 | 0 | 11,532 | 288,309 | 5,766 |
| 2013 Waterline replacement | 361,246 | 0 | 13,894 | 347,352 | 6,947 |
| 2016 Sewer Separation | 855,000 | 0 | 45,000 | 810,000 | 22,500 |
| <i>Total OPWC Loans</i> | <u>1,941,086</u> | <u>0</u> | <u>87,093</u> | <u>1,853,993</u> | <u>43,546</u> |
| <i>Total Direct Borrowings</i> | <u>24,397,019</u> | <u>11,424,429</u> | <u>2,126,316</u> | <u>33,695,132</u> | <u>875,935</u> |
| <i>Other Long-Term Obligations</i> | | | | | |
| Net Pension Liability | 1,186,318 | 990,402 | 0 | 2,176,720 | 0 |
| Net OPEB Liability | 786,192 | 188,278 | 0 | 974,470 | 0 |
| Compensated Absences | 89,397 | 74,143 | 59,822 | 103,718 | 53,805 |
| <i>Total Other Long-Term Obligations</i> | <u>2,061,907</u> | <u>1,252,823</u> | <u>59,822</u> | <u>3,254,908</u> | <u>53,805</u> |
| Total Business-Type Activities | <u>\$ 26,458,926</u> | <u>\$ 12,677,252</u> | <u>\$ 2,186,138</u> | <u>\$ 36,950,040</u> | <u>\$ 929,740</u> |

Governmental Activities

General Obligation Bonds

Outstanding general obligation bonds consist of WWTP improvements. General obligation bonds are a direct obligation of the City for which its full faith, credit and resources are pledged and are payable from the general and capital improvement funds.

The Capital Improvement Bond, Series 2005 was issued for the purpose of paying the costs of improvements East Wyandot Avenue. This bond is a direct obligation of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City in the capital improvement fund. The interest on this bond is 3 percent to 4.8 percent and is scheduled to mature in August 2025.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Direct Placements

The Fire Truck Bond-Series 2014 financed the purchase of a 2013 Pierce Velocity Chassis fire truck. This bond is a direct obligation of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City in the capital improvement fund. The interest on this bond is 3.25 percent and is scheduled to mature in February 2024.

The Fire Truck Bond-Series 2017 financed the purchase of a 2012 Pierce Ladder fire truck. This bond is a direct obligation of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City in the capital improvement fund. The interest on this bond is 3.25 percent and is scheduled to mature in October 2027.

The Fire Truck Bonds are a direct obligation of the City for which its full faith, credit and resources are pledged and are payable from the general and capital improvement funds.

Direct Borrowings

The OWDA loan financed the 2002 reservoir construction project in the amount of \$6,234,116. The retirement of this 4.65 percent interest loan will be made by the capital improvement fund. This loan is scheduled to mature on July 1, 2023.

The OPWC loan financed the 2004 Rock Run Road improvements in the amount of \$76,400. The retirement of this 0.0 percent interest loan will be made by the capital improvement fund. This loan is scheduled to mature on July 1, 2024.

The OPWC loan financed the 2005 Crawford/Hicks CSO removal in the amount of \$252,849. The retirement of this 0.0 percent interest loan will be made by the capital improvement fund. This loan is scheduled to mature on January 1, 2025.

The OPWC loan financed the 2011 project entitled Commerce Drive Storm Drainage improvements in the amount of \$247,119. The retirement of this 0.0 percent interest loan will be made by the capital improvement fund. This loan is scheduled to mature on July 1, 2042.

Business-type Activities

Direct Borrowings

The OWDA loan financed the new 2010 water treatment and storage tower in the amount of \$15,209,357. The retirement of this 3.31 percent interest loan will be made by the water fund. This loan is scheduled to mature on July 1, 2041.

The OWDA loan financed the 2013 waterline project on Warpole Street in the amount of \$533,351. The retirement of this 2.69 percent interest loan will be made by the water fund. This loan is scheduled to mature on January 1, 2043.

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

The OWDA loan financed the 2013 waterline project on the NE Quadrant and tank painting in the amount of \$1,603,297. The retirement of this 2 percent interest loan will be made by the water fund. This loan is scheduled to mature on July 1, 2034.

The OWDA loan financed the 2016 sewer separation on various streets in the amount of \$7,389,021. The retirement of this 1.0 percent interest loan will be made by the sewer fund. This loan is scheduled to mature on July 1, 2037.

The OWDA loan financed the 2017 wastewater treatment plant upgrades in the amount of \$1,124,996. The retirement of this 0.0 percent interest loan will be made by the sewer fund. During 2019, this loan was combined into a new OWDA loan.

The OWDA loan financed the 2019 wastewater treatment plant upgrades in the amount of \$27,257,956, of which \$100,000 of principal has been forgiven. As of December 31, 2019 11,423,874 has been disbursed. No amortization schedule is available. The retirement of this 0.01 percent interest loan will be made by the sewer fund.

In the event of default, as defined by each OWDA loan agreement, the lender may declare the full amount of the unpaid Project Participation Principal amount immediately due and payable and require the County to pay any fines or penalties incurred with interest.

The OPWC loan financed the 2013 project entitled Elevated tank repainting in the amount of \$500,000. The retirement of this 0.0 percent interest loan will be made by the water fund with bi-annual payments of \$8,333. This loan is scheduled to mature on January 1, 2044.

The OPWC loan financed the various 2013 waterline projects in the amount of \$345,969. The retirement of this 0.0 percent interest loan will be made by the water fund with bi-annual payments of \$5,766. This loan is scheduled to mature on July 1, 2044.

The OPWC loan financed the various 2013 waterline projects in the amount of \$416,822. The retirement of this 0.0 percent interest loan will be made by the water fund with bi-annual payments of \$6,947. This loan is scheduled to mature on July 1, 2044.

The OPWC loan financed the 2016 sewer separation on various streets in the amount of \$900,000. The retirement of this 0.0 percent interest loan will be made by the sewer fund with bi-annual payments of \$22,500. This loan is scheduled to mature on January 1, 2037.

In the event of default, as defined by each OPWC loan agreement, the amount of default will be subject to 8 percent interest on all amounts due from date of default. Additionally, the Lender may declare all amounts immediately due and payable or require the County treasurer to pay the amounts due from funds appropriated to the county's undivided local government fund. The lender will also be entitled to collect any cost incurred in the event of default.

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The capital leases for governmental activities will be paid from the general and capital improvement funds; the business-type activities lease will be paid from the capital improvement fund. Compensated absences will be paid from the funds which the employee's salaries are paid, typically the general fund, the water fund, the sewer fund and the sanitation fund. There are no repayment schedules for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the general fund and water, sewer, and sanitation funds. For additional information related to the net pension liability and net OPEB liability see Notes 11 and 12.

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

| Year Ending December 31, | Governmental Activities | | | | | | |
|-----------------------------|-------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|-------------------|
| | OWDA Loans | | OPWC Loans | Bonds | | Totals | |
| | Principal | Interest | Principal | Principal | Interest | Principal | Interest |
| 2020 | \$ 415,278 | \$ 57,533 | \$ 12,350 | \$ 105,160 | \$ 26,438 | \$ 532,788 | \$ 83,971 |
| 2021 | 434,813 | 40,730 | 24,700 | 108,611 | 22,603 | 568,124 | 63,333 |
| 2022 | 455,267 | 23,134 | 24,700 | 113,006 | 18,653 | 592,973 | 41,787 |
| 2023 | 235,602 | 4,712 | 24,700 | 118,546 | 14,499 | 378,848 | 19,211 |
| 2024 | 0 | 0 | 24,700 | 123,033 | 10,098 | 147,733 | 10,098 |
| 2025-2029 | 0 | 0 | 55,738 | 157,100 | 8,648 | 212,838 | 8,648 |
| 2030-2034 | 0 | 0 | 41,186 | 0 | 0 | 41,186 | 0 |
| 2035-2039 | 0 | 0 | 41,190 | 0 | 0 | 41,190 | 0 |
| 2040-2044 | 0 | 0 | 28,831 | 0 | 0 | 28,831 | 0 |
| | <u>\$ 1,540,960</u> | <u>\$ 126,109</u> | <u>\$ 278,095</u> | <u>\$ 725,456</u> | <u>\$ 100,939</u> | <u>\$ 2,544,511</u> | <u>\$ 227,048</u> |

| Year Ending December 31, | Business-Type Activities | | | | | |
|-----------------------------|--------------------------|---------------------|---------------------|----------------------|---------------------|--|
| | OWDA Loans | | OPWC Loans | Total | | |
| | Principal | Interest | Principal | Principal | Interest | |
| 2020 | \$ 832,389 | \$ 504,232 | \$ 43,546 | \$ 875,935 | \$ 504,232 | |
| 2021 | 851,056 | 485,565 | 87,093 | 938,149 | 485,565 | |
| 2022 | 870,243 | 466,378 | 87,093 | 957,336 | 466,378 | |
| 2023 | 889,966 | 446,654 | 87,093 | 977,059 | 446,654 | |
| 2024 | 910,243 | 425,678 | 87,093 | 997,336 | 425,678 | |
| 2025-2029 | 4,875,946 | 1,807,161 | 435,465 | 5,311,411 | 1,807,161 | |
| 2030-2034 | 5,427,509 | 1,206,765 | 435,465 | 5,862,974 | 1,206,765 | |
| 2035-2039 | 4,618,355 | 552,956 | 367,964 | 4,986,319 | 552,956 | |
| 2040-2044 | 1,241,003 | 42,369 | 223,181 | 1,464,184 | 42,369 | |
| | <u>\$ 20,516,710</u> | <u>\$ 5,937,758</u> | <u>\$ 1,853,993</u> | <u>\$ 22,370,703</u> | <u>\$ 5,937,758</u> | |

The above principal and interest requirements for OWDA loans exclude the loan for the wastewater treatment plant upgrades, as an amortization schedule is not yet available.

On April 7, 2020, OPWC deferred all July 2020 loan payments with no payment due until January 2021 billing cycle with a six-month deferment for the life of the loan. This is reflected in the due within one year amount and the amortization schedules above.

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The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$33,695,132 of Ohio Public Works Commission (OPWC) and Ohio Water Development Authority (OWDA). Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which were 77 percent. The total principal and interest remaining to be paid on the loans is \$39,632,887. This excludes interest applicable to the OWDA loan for wastewater treatment plant upgrades as an amortization schedule is not available. Principal and interest paid for the current year and total net revenues were \$1,423,713 and \$1,860,301, respectively.

NOTE 10 -- CAPITAL LEASES

The City has entered into a lease agreement as lessee for financing the acquisition of a sewer camera. This lease agreement qualifies as a capital lease for accounting purposes (equipment purchase option at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The cost of the capital lease is included in the governmental activities. The original cost of the asset acquired under capital lease and included in the governmental activities was \$87,024 with accumulated depreciation of \$12,407.

During 2018, the City entered into a lease agreement as lessee for financing the acquisition of two police cruisers and equipment. This lease agreement qualifies as a capital lease for accounting purposes (purchase option at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments of as of the date of inception. The cost of the capital lease is included in the governmental activities. The original cost of the assets acquired under the capital lease and included in the governmental activities was \$73,464 with accumulated depreciation of \$12,306.

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at December 31, 2019:

| Year Ending December 31, | Governmental Activities |
|--|----------------------------|
| 2020 | \$ 29,599 |
| 2021 | 3,671 |
| 2022 | 3,671 |
| 2023 | 3,670 |
| 2024 | 3,670 |
| Total Minimum Lease Payments | 44,281 |
| Less Amount Representing Interest | (8,227) |
| Present Value of Future Minimum Lease Payments | \$ 36,054 |

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NOTE 11 -- DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability

Pensions and OPEB are components of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions and 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 net pension liability and the net OPEB liability represent 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/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 this estimate annually.

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

GASB 68/75 assumes the liability 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). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

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

The remainder of this note includes the pension disclosures. See Note 12 for the OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

The City participates 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

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benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those who retired prior to January 7, 2013, the COLA will continue to be a three percent 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 (CPI), capped at three percent.

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

| | State and Local |
|--|--------------------|
| 2019 Statutory Maximum Contribution Rates | |
| Employer | 14.00 % |
| Employee | 10.00 % |
| 2019 Actual Contribution Rates | |
| Employer: | |
| Pension | 14.00 % |
| Post-Employment Health Care Benefits | 0.00 % |
| Total Employer | 14.00 % |
| Employee | 10.00 % |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$346,459 for 2019. Of this amount, \$38,896 is reported as an intergovernmental payable.

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

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit. See OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan (DROP) provisions and reduced and unreduced benefits.

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

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 three percent or the percent increase, if any, in the consumer price index 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 credits as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

| | Police | Firefighters |
|--|-------------|--------------|
| 2019 Statutory Maximum Contribution Rates | | |
| Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |
| 2019 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-Employment Health Care Benefits | 0.50 % | 0.50 % |
| Total Employer | 19.50 % | 24.00 % |
| Employee | 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 \$194,772 for 2019. Of this amount, \$26,337 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 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:

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| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|--|------------------|-------------------|--------------|
| Proportion of the Net Pension Liability: | | | |
| Current Measurement Period | 0.018063% | 0.036872% | |
| Prior Measurement Period | 0.017586% | 0.036986% | |
| Change in Proportion | <u>0.000477%</u> | <u>-0.000114%</u> | |
| Proportionate Share of the Net | | | |
| Pension Liability | \$ 4,947,089 | \$ 3,009,730 | \$ 7,956,819 |
| Pension Expense | \$ 1,112,749 | \$ 378,679 | \$ 1,491,428 |

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|---|---------------------|-------------------|---------------------|
| Deferred Outflows of Resources | | | |
| Net Difference between Projected and Actual | | | |
| Earnings on Pension Plan Investments | \$ 671,458 | \$ 370,796 | \$ 1,042,254 |
| Differences between Expected and | | | |
| Actual Experience | 227 | 123,656 | 123,883 |
| Changes of Assumptions | 430,655 | 79,792 | 510,447 |
| Changes in Proportionate Share | 62,052 | 36,138 | 98,190 |
| City Contributions Subsequent | | | |
| to the Measurement Date | <u>346,459</u> | <u>194,772</u> | <u>541,231</u> |
| Total Deferred Outflows of Resources | <u>\$ 1,510,851</u> | <u>\$ 805,154</u> | <u>\$ 2,316,005</u> |
| Deferred Inflows of Resources | | | |
| Differences between Expected and | | | |
| Actual Experience | \$ 64,958 | \$ 2,812 | \$ 67,770 |
| Changes in Proportionate Share | <u>46,436</u> | <u>137,787</u> | <u>184,223</u> |
| Total Deferred Inflows of Resources | <u>\$ 111,394</u> | <u>\$ 140,599</u> | <u>\$ 251,993</u> |

\$541,231 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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| Year Ending December 31: | OPERS | OP&F | Total |
|--------------------------|---------------------|-------------------|---------------------|
| 2020 | \$ 436,086 | \$ 156,955 | \$ 593,041 |
| 2021 | 242,345 | 75,873 | 318,218 |
| 2022 | 62,291 | 94,708 | 156,999 |
| 2023 | 312,276 | 139,664 | 451,940 |
| 2024 | 0 | 2,583 | 2,583 |
| | <u>\$ 1,052,998</u> | <u>\$ 469,783</u> | <u>\$ 1,522,781</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 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 key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018 are presented below.

| <u>Actuarial Information</u> | <u>Traditional Pension Plan</u> |
|--|--|
| Valuation Date | December 31, 2018 |
| Wage Inflation | 3.25 percent |
| Projected Salary Increases, including wage inflation | 3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent) |
| Investment Rate of Return | |
| Measurement Date | 7.20 percent |
| Prior Measurement Date | 7.50 percent |
| Actuarial Cost Method | Individual Entry Age |
| Cost-of-Living Adjustments | Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2018, then 2.15 percent Simple |

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

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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 of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94 percent for 2018.

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

| <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> | |

Discount Rate The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the 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 benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20 percent, as well as what the City's

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proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.20 percent) or one-percentage-point higher (8.20 percent) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|--------------|--------------------------|--------------|
| City's Proportionate Share of the Net Pension Liability | \$ 7,308,290 | \$ 4,947,089 | \$ 2,984,911 |

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 retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

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

| | |
|----------------------------|--|
| Actuarial Cost Method | Entry Age Normal (Level Percent of Payroll) |
| Investment Rate of Return | 8.00 percent |
| Projected Salary Increases | 3.75 percent to 10.50 percent |
| Payroll Growth | Inflation rate of 2.75 percent plus productivity increase rate of 0.50 percent |
| Cost-of-Living Adjustments | 3.00 percent simple; 2.20 percent simple for increases based on lesser of the increase in CPI and 3.00 percent |

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

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

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.

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected 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 | 0.00 % | 1.00 % | 0.80 % |
| Domestic Equity | 16.00 | 5.30 | 5.50 |
| Non-U.S. 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 are net of expected 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 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed

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investment rate of return 8.00 percent. Based on those assumptions, OP&F's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|--------------|--------------------------|--------------|
| City's Proportionate Share of the Net Pension Liability | \$ 3,956,082 | \$ 3,009,730 | \$ 2,218,915 |

NOTE 12 -- Defined Benefit OPEB Plans

See Note 11 for a description of the net OPEB liability.

Plan Description – Ohio Public Employees Retirement System (OPERS)

OPERS administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

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

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

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

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

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

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 beginning January 1, 2018 decreased to 0 percent for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City had no contractually required contribution

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

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

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

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

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

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

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 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contractually required contribution to OP&F was \$4,923 for 2019. Of this amount, \$661 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows/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:

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| | OPERS | OP&F | Total |
|---------------------------------------|------------------|-------------------|----------------|
| Proportion of the Net OPEB Liability: | | | |
| Current Measurement Period | 0.016987% | 0.036872% | |
| Prior Measurement Period | 0.016837% | 0.036986% | |
| Change in Proportion | <u>0.000150%</u> | <u>-0.000114%</u> | |
| Proportionate Share of the Net | | | |
| OPEB Liability | \$ 2,214,704 | \$ 335,776 | \$ 2,550,480 |
| OPEB Expense | \$ 180,725 | \$ (1,672,758) | \$ (1,492,033) |

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

| | OPERS | OP&F | Total |
|---|-------------------|-------------------|-------------------|
| Deferred Outflows of Resources | | | |
| Net Difference between Projected and Actual | | | |
| Earnings on OPEB Plan Investments | \$ 101,531 | \$ 11,367 | \$ 112,898 |
| Differences between Expected and | | | |
| Actual Experience | 750 | 0 | 750 |
| Changes of Assumptions | 71,404 | 174,050 | 245,454 |
| Changes in Proportionate Share | 20,310 | 0 | 20,310 |
| City Contributions Subsequent | | | |
| to the Measurement Date | 0 | 4,923 | 4,923 |
| Total Deferred Outflows of Resources | <u>\$ 193,995</u> | <u>\$ 190,340</u> | <u>\$ 384,335</u> |
| Deferred Inflows of Resources | | | |
| Differences between Expected and | | | |
| Actual Experience | \$ 6,009 | \$ 8,997 | \$ 15,006 |
| Changes of Assumptions | 0 | 92,958 | 92,958 |
| Changes in Proportionate Share | 37,053 | 116,659 | 153,712 |
| Total Deferred Inflows of Resources | <u>\$ 43,062</u> | <u>\$ 218,614</u> | <u>\$ 261,676</u> |

\$4,923 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending December 31: | OPERS | OP&F | Total |
|--------------------------|-------------------|--------------------|-------------------|
| 2020 | \$ 59,410 | \$ (5,039) | \$ 54,371 |
| 2021 | 23,485 | (5,039) | 18,446 |
| 2022 | 16,890 | (5,038) | 11,852 |
| 2023 | 51,148 | (1,601) | 49,547 |
| 2024 | 0 | (7,021) | (7,021) |
| Thereafter | 0 | (9,459) | (9,459) |
| | <u>\$ 150,933</u> | <u>\$ (33,197)</u> | <u>\$ 117,736</u> |

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Actuarial Assumptions - OPERS

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

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

| | |
|--|--|
| Wage Inflation | 3.25 percent |
| Projected Salary Increases, Including Inflation | 3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent) |
| Single Discount Rate: | |
| Current Measurement Date | 3.96 percent |
| Prior Measurement Date | 3.85 percent |
| Investment Rate of Return | |
| Current Measurement Date | 6.00 percent |
| Prior Measurement Date | 6.50 percent |
| Municipal Bond Rate | |
| Current Measurement Date | 3.71 percent |
| Prior Measurement Date | 3.31 percent |
| Health Care Cost Trend Rate | |
| Measurement Date | 10.00 percent, initial, 3.25 percent ultimate in 2029 |
| Prior Measurement Date | 7.50 percent, initial, 3.25 percent ultimate in 2028 |
| Actuarial Cost Method | Individual Entry Age Normal |

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

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

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each

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major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

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

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

| <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 Trusts | 6.00% | 5.98% |
| International Equities | 22.00% | 7.83% |
| Other Investments | 17.00% | 5.57% |
| Total | <u>100.00%</u> | |

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

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------|--------------------------|--------------|
| City's Proportionate Share of the Net OPEB Liability | \$ 2,833,432 | \$ 2,214,704 | \$ 1,722,652 |

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

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

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|--------------|-----------------------|--------------|
| City's Proportionate Share of the Net OPEB Liability | \$ 2,128,811 | \$ 2,214,704 | \$ 2,313,629 |

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.

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

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

| | |
|----------------------------|--|
| Valuation Date | January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018 |
| Actuarial Cost Method | Entry Age Normal (Level Percent of Payroll) |
| Projected Salary Increases | 3.75 percent to 10.50 percent |
| Payroll Growth | Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent |
| Investment Rate of Return | |
| Current Measurement Date | 8.00 percent |
| Prior Measurement Date | 8.00 percent |
| Single Discount Rate: | |
| Current Measurement Date | 4.66 percent |
| Prior Measurement Date | 3.24 percent |
| Municipal Bond Rate | |
| Current Measurement Date | 4.13 percent |
| Prior Measurement Date | 3.16 percent |
| Cost of Living Adjustments | 3.00 percent simple; 2.20 percent simple for increases based on the lesser of the increase in CPI and 3.00 percent |

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

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

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

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

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

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

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

Note: Assumptions are geometric.

* Levered 2x

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 OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2031. The long-term expected rate of return on health care investments was applied to projected costs through 2031, and the municipal bond rate was applied to all health care costs after that date.

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|-------------|--------------------------|-------------|
| City's Proportionate Share of the Net OPEB Liability | \$ 409,067 | \$ 335,776 | \$ 274,255 |

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

NOTE 13 -- CONTINGENT LIABILITIES

Federal and State Grants

The City participates in several federally assisted programs. These programs are subject to financial and compliance audits by grantor agencies or their representative. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Litigation

The City may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the law director the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Encumbrances

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. The City had no outstanding encumbrances for other governmental funds.

Contractual Commitments

The City had the following significant commitments at December 31, 2019:

| Project | Contract Amount | Expended | Outstanding Commitment |
|---------------|--------------------|--------------|---------------------------|
| WWTP Upgrades | \$27,963,285 | \$11,447,518 | \$16,515,767 |

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 14 -- FUND BALANCE

Fund balance can be 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 the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

| | General Fund | Parks and Recreation Fund | Capital Improvements Fund | Other Governmental Funds | Total |
|--------------------------------|-----------------|---------------------------------|---------------------------------|--------------------------------|--------------|
| Nonspendable for: | | | | | |
| Inventory | \$ 1,869 | \$ 14,996 | \$ 0 | \$ 56,069 | \$ 72,934 |
| Restricted for: | | | | | |
| Capital Projects | 0 | 0 | 168,182 | 0 | 168,182 |
| Street Maintenance and Repair | 0 | 0 | 0 | 117,373 | 117,373 |
| Indigent Drivers Fund | 0 | 0 | 0 | 318,903 | 318,903 |
| Computer Legal Research | 0 | 0 | 0 | 154,382 | 154,382 |
| CDBG Revolving Loan | 0 | 0 | 0 | 466,521 | 466,521 |
| Special Projects | 0 | 0 | 0 | 167,338 | 167,338 |
| Other Purposes | 0 | 0 | 0 | 207,289 | 207,289 |
| Total Restricted | 0 | 0 | 168,182 | 1,431,806 | 1,599,988 |
| Committed to: | | | | | |
| Parks and Recreation | 0 | 239,325 | 0 | 0 | 239,325 |
| Assigned for: | | | | | |
| Subsequent Year Appropriations | 709,578 | 0 | 0 | 0 | 709,578 |
| Unassigned | 328,913 | 0 | 0 | 0 | 328,913 |
| Total Fund Balance | \$ 1,040,360 | \$ 254,321 | \$ 168,182 | \$ 1,487,875 | \$ 2,950,738 |

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City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

NOTE 15 -- TRANSFERS

Interfund transfers for the year ended December 31, 2019, consisted of the following:

| Fund | Transfers In | Transfers Out |
|--------------------------|--------------|---------------|
| General | \$ 25,000 | \$ 17,096 |
| Capital Improvement Fund | 513,097 | 0 |
| Other Governmental | 3,200 | 25,000 |
| Water | 0 | 470,204 |
| Sewer | 0 | 28,997 |
| | \$ 541,297 | \$ 541,297 |

In the year ended December 31, 2019, the City made transfers of \$470,204 from the water fund and \$28,997 from the sewer fund to the capital improvements fund to subsidize, in part, the Ohio Water Development Authority (OWDA) debt service payments. In the past, OWDA loans were financed by City income tax. The general fund transferred \$13,896 to the capital improvement fund to assist in debt payment and \$3,200 to the transient guest tax fund to cover incurred expenses. In 2019 the Upper Sandusky Municipal Court judge signed a Journal Entry and Order to transfer funds in the amount of \$25,000 from the special project fund to the general fund.

NOTE 16 – SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures may 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 have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of 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 to a precise amount. However, the City is planning for a reduction of some key incomes sources such as Income, Permissive, and Gas Taxes.

On April 20, 2020 an ordinance was passed as an emergency rider to the Personnel Policy and Procedural Manual to implement provisions to the Family First Coronavirus Response Act.

In accordance with guidance received from the Ohio Development Services Agency and the Revolving Loan Fund Committee, the City offered a six month deferral of payments to its four Revolving Loan Fund loan recipients. Three loan recipients have exercised the deferral option.

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City of Upper Sandusky
Wyandot County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Last Six Years (1)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| <i>Ohio Public Employees' Retirement System (OPERS)</i> | | | | | | |
| City's Proportion of the Net Pension Liability | 0.018063% | 0.017586% | 0.018397% | 0.017668% | 0.017205% | 0.017205% |
| City's Proportionate Share of the Net Pension Liability | \$ 4,947,089 | \$ 2,758,880 | \$ 4,177,704 | \$ 3,060,320 | \$ 2,075,115 | \$ 2,028,245 |
| City's Covered Payroll | \$ 2,439,729 | \$ 2,323,979 | \$ 2,378,225 | \$ 2,199,000 | \$ 2,109,300 | \$ 2,523,477 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 202.77% | 118.71% | 175.66% | 139.17% | 98.38% | 80.38% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 74.70% | 84.66% | 77.25% | 81.08% | 86.45% | 86.36% |
| <i>Ohio Police and Fire Pension Fund (OPF)</i> | | | | | | |
| City's Proportion of the Net Pension Liability | 0.036872% | 0.036986% | 0.040142% | 0.038826% | 0.039361% | 0.039361% |
| City's Proportionate Share of the Net Pension Liability | \$ 3,009,730 | \$ 2,270,023 | \$ 2,542,554 | \$ 2,497,710 | \$ 2,039,059 | \$ 1,916,999 |
| City's Covered Payroll | \$ 888,914 | \$ 863,512 | \$ 906,791 | \$ 825,885 | \$ 949,332 | \$ 827,098 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 338.59% | 262.88% | 280.39% | 302.43% | 214.79% | 231.77% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 63.07% | 70.91% | 68.36% | 66.77% | 72.20% | 73.00% |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

City of Upper Sandusky
Wyandot County, Ohio
Required Supplementary Information
Schedule of the City's Contributions - Pension
Last Ten Years

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|------------------|------------------|------------------|------------------|
| <i>Ohio Public Employees' Retirement System (OPERS)</i> | | | | |
| Contractually Required Contribution | \$ 346,459 | \$ 341,562 | \$ 302,117 | \$ 285,387 |
| Contributions in Relation to the Contractually Required Contribution | <u>(346,459)</u> | <u>(341,562)</u> | <u>(302,117)</u> | <u>(285,387)</u> |
| Contribution Deficiency (Excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| City's Covered Payroll | \$ 2,474,707 | \$ 2,439,729 | \$ 2,323,979 | \$ 2,378,225 |
| Contributions as a Percentage of Covered Payroll | 14.00% | 14.00% | 13.00% | 12.00% |
| <i>Ohio Police and Fire Pension Fund (OPF)</i> | | | | |
| Contractually Required Contribution | \$ 194,772 | \$ 175,767 | \$ 170,725 | \$ 178,965 |
| Contributions in Relation to the Contractually Required Contribution | <u>(194,772)</u> | <u>(175,767)</u> | <u>(170,725)</u> | <u>(178,965)</u> |
| Contribution Deficiency (Excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| City's Covered Payroll | \$ 984,551 | \$ 888,914 | \$ 863,512 | \$ 906,791 |
| Contributions as a Percentage of Covered Payroll | 19.78% | 19.77% | 19.77% | 19.74% |

(n/a) Information prior to 2013 is not available.

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> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 263,880 | \$ 253,116 | \$ 328,052 | n/a | n/a | n/a |
| <u>(263,880)</u> | <u>(253,116)</u> | <u>(328,052)</u> | n/a | n/a | n/a |
| <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | n/a | n/a | n/a |
| \$ 2,199,000 | \$ 2,109,300 | \$ 2,523,477 | n/a | n/a | n/a |
| 12.00% | 12.00% | 13.00% | n/a | n/a | n/a |
| \$ 163,115 | \$ 164,723 | \$ 137,644 | \$ 144,330 | \$ 129,520 | \$ 106,632 |
| <u>(163,115)</u> | <u>(164,723)</u> | <u>(137,644)</u> | <u>(144,330)</u> | <u>(129,520)</u> | <u>(106,632)</u> |
| <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| \$ 825,885 | \$ 949,332 | \$ 827,098 | \$ 1,078,453 | \$ 943,821 | \$ 790,367 |
| 19.75% | 17.35% | 16.64% | 13.38% | 13.72% | 13.49% |

See accompanying notes to the required supplementary information.

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City of Upper Sandusky
Wyandot County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability
Last Three Years (1)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|--------------|--------------|--------------|
| <i>Ohio Public Employees' Retirement System (OPERS)</i> | | | |
| City's Proportion of the Net OPEB Liability | 0.016987% | 0.016837% | 0.017613% |
| City's Proportionate Share of the Net OPEB Liability | \$ 2,214,704 | \$ 1,828,355 | \$ 1,778,973 |
| City's Covered Payroll | \$ 2,439,729 | \$ 2,323,979 | \$ 2,378,225 |
| City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 90.78% | 78.67% | 74.80% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 46.33% | 54.14% | 54.04% |
| <i>Ohio Police and Fire Pension Fund (OPF)</i> | | | |
| City's Proportion of the Net OPEB Liability | 0.036872% | 0.036986% | 0.040142% |
| City's Proportionate Share of the Net OPEB Liability | \$ 335,776 | \$ 2,095,597 | \$ 1,905,450 |
| City's Covered Payroll | \$ 888,914 | \$ 863,512 | \$ 906,791 |
| City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 37.77% | 242.68% | 210.13% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 46.57% | 14.13% | 15.96% |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

City of Upper Sandusky
Wyandot County, Ohio
Required Supplementary Information
Schedule of the City's Contributions - OPEB
Last Ten Years

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|----------------|----------------|-----------------|-----------------|
| <i>Ohio Public Employees' Retirement System (OPERS)</i> | | | | |
| Contractually Required Contribution | \$ 0 | \$ 0 | \$ 23,240 | \$ 47,564 |
| Contributions in Relation to the Contractually Required Contribution | <u>0</u> | <u>0</u> | <u>(23,240)</u> | <u>(47,564)</u> |
| Contribution Deficiency (Excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| City's Covered Payroll (1) | \$ 2,474,707 | \$ 2,439,729 | \$ 2,323,979 | \$ 2,378,225 |
| Contributions as a Percentage of Covered Payroll | 0.00% | 0.00% | 1.00% | 2.00% |
| <i>Ohio Police and Fire Pension Fund (OPF)</i> | | | | |
| Contractually Required Contribution | \$ 4,923 | \$ 4,445 | \$ 4,318 | \$ 4,534 |
| Contributions in Relation to the Contractually Required Contribution | <u>(4,923)</u> | <u>(4,445)</u> | <u>(4,318)</u> | <u>(4,534)</u> |
| Contribution Deficiency (Excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| City's Covered Payroll | \$ 984,551 | \$ 888,914 | \$ 863,512 | \$ 906,791 |
| Contributions as a Percentage of Covered Payroll | 0.50% | 0.50% | 0.50% | 0.50% |

(n/a) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(1) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan.

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> |
|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| n/a | n/a | n/a | n/a | n/a | n/a |
| n/a | n/a | n/a | n/a | n/a | n/a |
| n/a | n/a | n/a | n/a | n/a | n/a |
| n/a | n/a | n/a | n/a | n/a | n/a |
| n/a | n/a | n/a | n/a | n/a | n/a |
| \$ 4,130 | \$ 64,121 | \$ 68,188 | \$ 72,796 | \$ 63,708 | \$ 53,070 |
| <u>(4,130)</u> | <u>(64,121)</u> | <u>(68,188)</u> | <u>(72,796)</u> | <u>(63,708)</u> | <u>(53,070)</u> |
| <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| \$ 825,885 | \$ 949,332 | \$ 827,098 | \$ 1,078,453 | \$ 943,821 | \$ 790,367 |
| 0.50% | 6.80% | 8.24% | 6.75% | 6.75% | 6.71% |

See accompanying notes to the required supplementary information.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2019

Note 1 - Net Pension Liability

Changes in Assumptions – OPERS

For fiscal year 2019, the single discount rate changed from 7.50 percent to 7.20 percent.

Amounts reported in calendar year 2017 reflect an adjustment of the rates of withdrawal, disability, retirement and mortality to more closely reflect actual experience. The expectation of retired life mortality was based on RP-2014 Healthy Annuitant mortality table and RP-2014 Disabled mortality table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 8.00 percent to 7.50 percent
- Wage inflation rate from 3.75 percent to 3.25 percent
- Price inflation from 3.00 percent to 2.50 percent

Changes in Assumptions – OP&F

For 2018, the single discount rate changed from 8.25 percent to 8.00 percent.

Note 2 - Net OPEB Liability

Changes in Assumptions - OPERS

For calendar year 2019, the following changes were made to the actuarial assumptions:

- Discount rate from 3.85 percent to 3.96 percent
- Investment rate of return from 6.50 percent to 6.00 percent
- Municipal bond rate from 3.31 percent to 3.71 percent
- Health Care Cost Trend Rate from 7.50 percent to 10.00 percent

For calendar year 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Assumptions – OP&F

For calendar year 2019, the discount rate increased from 3.24 percent to 4.66 percent and the municipal bond rate from 3.16 percent to 4.13 percent.

For calendar year 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

Changes in Benefit Terms – OP&F

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

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
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(800) 282-0370

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

City of Upper Sandusky
Wyandot County
119 North Seventh Street
Upper Sandusky, Ohio 43351

To the City 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 Upper Sandusky, Wyandot County, Ohio (the City), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 20, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the City. In addition, we also noted the City adopted Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

Compliance and Other Matters

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

City's Response to Finding

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

December 20, 2021

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

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

FINDING NUMBER 2020-001

Financial Reporting - Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The following errors were noted in the financial statements:

- Utilities Accounts Receivable and Charges for Services were each overstated by \$493,755, \$225,416, \$185,780 and \$82,559 for Business-Type Activities, Water fund, Sewer fund and Sanitation fund, respectively in 2020.
- Acquisition of Capital Assets within the Sewer fund were understated by \$100,000 on the Statement of Cash Flows in 2019.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. The failure to prepare complete and accurate financial statements could lead to the financial statement user making misinformed decisions about the City's financial position.

The accompanying financial statements and notes to the financial statements have been adjusted to reflect these errors. In addition to the errors noted above, we also identified additional misstatements ranging from \$1,376 to \$151,409 that we have brought to the City's attention.

To help ensure the City's financial statements and notes to the financial statements are complete and accurate, the City should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the City, to help identify and correct errors and omissions.

Officials' Response:

The Utility department office staff continue to train on and learn the functionality of the Muni Link billing software that went live on late December 2020. The training along with checks & balances put in place during the past twelve months will assist in assuring accurate reporting. Additionally, the City will work diligently with the Independent Public Accounting firm that compiles its annual financial reports in an effort to assure accurate reporting.

CITY OF UPPER SANDUSKY

MUNICIPAL OFFICES
 119 NORTH SEVENTH STREET
 UPPER SANDUSKY, OHIO 43351
 (419) 294-3862 MAYOR'S OFFICE
 (419) 294-3988 AUDITOR'S OFFICE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2020 AND 2019

| Finding Number | Finding Summary | Status | Additional Information |
|----------------|--|--|--|
| 2018-001 | This finding was first reported in the audit of the 2009-2010 financial statements. Noncompliance over Ohio Rev. Code § 5705.41(D)(1) for expenditures not being certified. | Partially corrected and repeated in the Management letter. | This finding reoccurred due to inadequate policies and procedures over the disbursement process. An effort was made to correct this issue and the City is in the process of educating and informing appropriate individuals to ensure the City is following Ohio Revised Code. |
| 2018-002 | This finding was first reported in the audit of the 2017-2018 financial statements. Significant deficiency due to errors in financial reporting. | Not corrected and repeated as Finding 2020-001 in this report. | This finding reoccurred due to inadequate policies and procedures in reviewing the financial statements and notes to the financial statements, in addition to a wrong report being given to the City's IPA for calculating utilities receivable. An effort was made to correct errors in the financial statements, and the City will continue to implement policies and procedures to identify and correct errors and omissions in the financial statements and notes to the financial statements. |

OHIO AUDITOR OF STATE KEITH FABER



CITY OF UPPER SANDUSKY

WYANDOT 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 1/4/2022

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