

OHIO AUDITOR OF STATE
KEITH FABER



City of Waterville
Lucas County

General Purpose External Financial Statements
For the Year Ended December 31, 2020

Local Government Services

City of Waterville
General Purpose External Financial Statements
For the Year Ended December 31, 2020
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OHIO AUDITOR OF STATE KEITH FABER



City of Waterville
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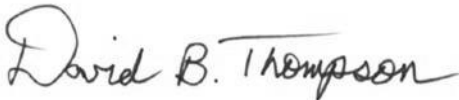
Accountant's Compilation Report

Management is responsible for the accompanying basic financial statements of the City of Waterville as of and for the year ended December 31, 2020, in accordance with accounting principles generally accepted in the United States of America. We have performed the compilation engagement in accordance with the Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management's Discussion and Analysis is supplementary information required by the Governmental Accounting Standards Board and was prepared by management. We did not compile, review, or audit the information nor do we express an opinion, a conclusion, nor provide any assurance on the information.

The schedules of the City's proportionate share of the net pension/OPEB liability (asset) and the schedules of the City's contributions are not part of the basic financial statements but the Governmental Accounting Standards Board requires their presentation to supplement the basic financial statements. We have compiled these schedules without audit or review and, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this information.

KEITH FABER
Auditor of State



David B. Thompson
Chief of Local Government Services

May 17, 2021

CITY OF WATERVILLE
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

The discussion and analysis of the City of Waterville's financial performance provides an overview 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 financial performance as a whole.

HIGHLIGHTS

Highlights for 2020 are as follows:

In total, the City's net position increased almost 6 percent from the prior year; governmental activities increased percent and business-type activities decreased less than 1 percent.

The Water Fund had an operating income and the Sewer Fund had an operating loss for 2020.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City of Waterville's financial position.

The statement of net position and the statement of activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the City's most significant funds individually and the City's non-major funds in a single column. The City's major funds are the General, Fire Levy, Various Improvements, Water, and Sewer funds.

REPORTING THE CITY AS A WHOLE

The statement of net position and the statement of activities reflect how the City did financially during 2020. These statements include all assets and liabilities using the accrual basis of accounting similar to that used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the City's net position and change in net position. This change in net position is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings; streets; water, sewer, storm sewer lines, etc.). These factors must be considered when assessing the overall health of the City.

CITY OF WATERVILLE
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In the statement of net position and the statement of activities, the City is divided into two types of activities:

- Governmental Activities - Most of the City's programs and services are reported here, including security of persons and property, leisure time activities, community environment, basic utility services, transportation, and general government. These services are primarily funded by property taxes and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.
- Business-Type Activities - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The City's water and sewer services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the City's major funds, the General, Fire Levy, Various Improvements, Water, and Sewer funds. While the City uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The City's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the City's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services being provided.

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

Enterprise Funds - The City's enterprise funds use the accrual basis of accounting, the same as that used for the business-type activities on the government-wide financial statements.

CITY OF WATERVILLE
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net position for 2020 and 2019.

Table 1
Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<u>Assets</u>						
Current and Other Assets	\$9,300,804	\$6,600,668	\$3,010,057	\$2,571,658	\$12,310,861	\$9,172,326
Net Pension Asset	28,724	16,708	14,796	8,256	43,520	24,964
Capital Assets, Net	14,322,397	14,904,309	13,753,699	14,304,310	28,076,096	29,208,619
Total Assets	<u>23,651,925</u>	<u>21,521,685</u>	<u>16,778,552</u>	<u>16,884,224</u>	<u>40,430,477</u>	<u>38,405,909</u>
<u>Deferred Outflows of Resources</u>						
Pension	470,522	1,139,024	66,557	166,575	537,079	1,302,149
OPEB	268,664	230,648	45,332	21,481	313,996	250,709
Total Deferred Outflows of Resources	<u>739,186</u>	<u>1,369,672</u>	<u>111,889</u>	<u>188,056</u>	<u>851,075</u>	<u>1,552,858</u>
<u>Liabilities</u>						
Current and Other Liabilities	451,977	419,283	1,840,357	1,712,656	2,292,334	2,131,939
Long-Term Liabilities						
Pension	2,791,046	4,049,377	376,879	542,528	3,167,925	4,591,905
OPEB	851,144	879,882	282,904	272,060	1,134,048	1,151,942
Other Amounts	1,638,615	1,833,707	6,020,032	6,241,113	7,658,647	8,074,820
Total Liabilities	<u>5,732,782</u>	<u>7,182,249</u>	<u>8,520,172</u>	<u>8,768,357</u>	<u>14,252,954</u>	<u>15,950,606</u>
<u>Deferred Inflows of Resources</u>						
Pension	784,371	129,948	96,824	19,004	881,195	145,502
OPEB	314,937	197,458	44,923	6,779	359,860	202,817
Other Amounts	1,293,277	467,046	0	0	1,293,277	467,046
Total Deferred Inflows of Resources	<u>2,392,585</u>	<u>794,452</u>	<u>141,747</u>	<u>25,783</u>	<u>2,534,332</u>	<u>815,365</u>
<u>Net Position</u>						
Net Investment in Capital Assets	12,786,699	13,044,541	8,954,044	9,362,587	21,740,743	22,407,128
Restricted	2,838,615	2,554,440	0	0	2,838,615	2,554,440
Unrestricted (Deficit)	640,430	(684,325)	(725,522)	(1,084,447)	(85,092)	(1,768,772)
Total Net Position	<u>\$16,265,744</u>	<u>\$14,914,656</u>	<u>\$8,228,522</u>	<u>\$8,278,140</u>	<u>\$24,494,266</u>	<u>\$23,192,796</u>

CITY OF WATERVILLE
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The net pension liability (asset) and the net OPEB liability reported by the City at December 31, 2020, are reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". For reasons discussed below, end users of these financial statements 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 (asset), and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 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 or net OPEB liability. GASB Statements No. 68 and No. 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 Statements No. 68 and No. 75 require the net pension liability (asset) and the net OPEB liability to equal the City's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service 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 health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contribution 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 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.

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Most long-term liabilities have set repayment schedules or in the case of compensated absences (i.e. vacation and sick 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 pension benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the City. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension 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 Statements No. 68 and No. 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 the net pension liability (asset) and the net OPEB liability, respectively, not accounted for as deferred outflows/inflows.

Pension/OPEB changes noted in the above table reflect an overall decrease in deferred outflows and overall increase in deferred inflows. These changes are affected by changes in benefits, contribution rates, return on investments, and actuarial assumptions. The decrease in the net pension liability and the net OPEB liability represent the City's proportionate share of the unfunded benefits.

Aside from the changes related to pension/OPEB, there were several other changes of note for governmental activities. The increase in current and other assets was primarily an increase in cash and cash equivalents and an increase in property taxes receivable. The increase in cash and cash equivalents is due to revenues in the General Fund continue to well outpace expenses combined with CARES Act funding received in 2020 that was not spent as of year end. The citizens of the City passed a 3.25 mill property tax levy, that commenced in 2020 with collection beginning in 2021, creating the increase in property taxes receivable. The decrease in net capital assets was due to annual depreciation. The decrease in other long-term liabilities represents the retirement of debt.

For business-type activities, there was an increase in current and other assets, primarily cash and cash equivalents, due to modest revenue increases and a decrease in expenses. The decrease in net capital assets was due to annual depreciation. The increase in current and other liabilities was due to an increase in short-term debt (notes payable) and contracts payable for the canopy water and sewer meter improvement project. The decrease in other long-term liabilities was due to scheduled principal retirement.

CITY OF WATERVILLE
Management's Discussion and Analysis
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Table 2 reflects the change in net position for 2020 and 2019.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$531,979	\$541,686	\$2,642,456	\$2,619,710	\$3,174,435	\$3,161,396
Operating Grants, Contributions, and Interest	652,039	338,456	0	0	652,039	338,456
Capital Grants and Contributions	294,037	100,783	0	0	294,037	100,783
Total Program Revenues	1,478,055	980,925	2,642,456	2,619,710	4,120,511	3,600,635
General Revenues						
Property Taxes Levied for General Purposes	636,800	437,505	0	0	636,800	437,505
Property Taxes Levied for Police Pension	56,267	38,585	0	0	56,267	38,585
Municipal Income Taxes	3,791,437	3,602,352	0	0	3,791,437	3,602,352
Payment in Lieu of Taxes	146,707	137,697	0	0	146,707	137,697
Grants and Entitlements not Restricted to Specific Programs	341,988	336,254	0	0	341,988	336,254
Franchise Taxes	94,343	81,775	0	0	94,343	81,775
Interest	51,281	68,604	20,496	31,225	71,777	99,829
Other	352,883	268,852	95,204	26,652	448,087	295,504
Total General Revenues	5,471,706	4,971,624	115,700	57,877	5,587,406	5,029,501
Total Revenues	6,949,761	5,952,549	2,758,156	2,677,587	9,707,917	8,630,136
<u>Program Expenses</u>						
Security of Persons and Property						
Police	1,404,941	113,445	0	0	1,404,941	113,445
Fire	908,664	591,995	0	0	908,664	591,995
Other	53,695	254,656	0	0	53,695	254,656
Leisure Time Activities	112,751	123,283	0	0	112,751	123,283
Community Environment	114,590	91,465	0	0	114,590	91,465
Basic Utility Services	309,643	287,222	0	0	309,643	287,222
Transportation	1,314,371	1,238,966	0	0	1,314,371	1,238,966
General Government	1,330,024	1,520,112	0	0	1,330,024	1,520,112
Interest and Fiscal Charges	49,994	56,752	0	0	49,994	56,752
Water	0	0	1,793,557	1,505,396	1,793,557	1,505,396
Sewer	0	0	1,014,217	2,623,057	1,014,217	2,623,057
Total Expenses	5,598,673	4,277,896	2,807,774	4,128,453	8,406,447	8,406,349
Increase (Decrease) in Net Position Before Transfers	1,351,088	1,674,653	(49,618)	(1,450,866)	1,301,470	223,787
Transfers	0	(10,000)	0	10,000	0	0
Increase (Decrease) in Net Position	1,351,088	1,664,653	(49,618)	(1,440,866)	1,301,470	223,787
Net Position Beginning of Year	14,914,656	13,250,003	8,278,140	9,719,006	23,192,796	22,969,009
Net Position End of Year	\$16,265,744	\$14,914,656	\$8,228,522	\$8,278,140	\$24,494,266	\$23,192,796

CITY OF WATERVILLE
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For governmental activities, the increase in program revenues was primarily due to funding provided by the CARES Act and contributions from the Ohio Department of Transportation and the Ohio Public Works Commission related to the Michigan Avenue/State Route 64 project. The increase in property tax revenue is partially due to a sizable increase in the assessed value of property and from delinquent property tax collection. During 2020, the City received a significant refund from the Ohio Bureau of Workers' Compensation (other revenue). The increase in expenses was primarily due to the increase in OPEB expense for OPF. In the prior year, OPF recognized a change in benefit terms for their OPEB plan changing from a self-insured health care plan to a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. These changes resulted in a negative OPEB expense of \$1,635,713 in 2019. In 2020, the total OPEB expense for OPF was \$10,620.

The City's business-type activities are generally almost entirely funded through charges for services which were consistent with the prior year. The increase in expenses in the Water Fund is the result of increased costs related to an increase in the amount of water sold to customers. The decrease in expenses in the Sewer Fund is related to the City's contribution towards the anaerobic design system in the prior year.

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Security of Persons and Property				
Police	\$1,404,941	\$113,445	\$1,362,744	\$91,494
Fire	908,664	591,995	662,826	440,181
Other	53,695	254,656	53,695	254,656
Leisure Time Activities	112,751	123,283	107,594	116,673
Community Environment	114,590	91,465	114,282	90,801
Basic Utility	309,643	287,222	123	12,718
Transportation	1,314,371	1,238,966	588,500	775,786
General Government	1,330,024	1,520,112	1,180,860	1,457,910
Interest and Fiscal Charges	49,994	56,752	49,994	56,752
Total Expenses	<u>5,598,673</u>	<u>\$4,277,896</u>	<u>4,120,618</u>	<u>\$3,296,971</u>

General revenues provided for 74 percent of the costs of providing governmental services in 2020 (77 percent in 2019). The City's most significant revenue source is municipal income taxes. Dependence on municipal income taxes and, to a lesser degree, property taxes is critical to the City's operations. There are few programs which are well supported through program revenues. The basic utility program charges for services include the fees for trash collection. The transportation program receives charges for services in the form of permissive motor vehicle license monies. The transportation program also receives operating grants in the form of State levied motor vehicle license fees and gas taxes.

CITY OF WATERVILLE
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Unaudited

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund, the Fire Levy special revenue fund, and the Various Improvements capital projects fund.

The General Fund had a 53 percent increase in fund balance. Both revenues and expenditures had modest increases of a similar amount yet revenues continue to well outpace expenditures. In addition, in the prior year the General Fund transferred \$400,000 to other funds to subsidize operations and to make debt payments. The General Fund made no transfers in 2020.

The Fire Levy Fund was a new fund for 2020 as the City voters approved a 3.25 mill levy with collection beginning in 2021.

The increase in fund balance in the Various Improvements Fund is the result of an increase revenue and decrease in expenditures. In 2020, the City received resources from the Ohio Public Works Commission and the Ohio Department of Transportation for improvements. The decrease in expenditures is due to a significant investment in minor fire equipment and street improvements in the prior year.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Water and Sewer funds.

Net position did not change significantly from the prior year for the Water Fund.

Net position decreased almost 5 percent in the Sewer Fund as the fund continues to operate at a loss; however, there was a substantial decrease in expenses as the City had significant contribution towards the anaerobic design system in the prior year.

BUDGETARY HIGHLIGHTS

The City prepares an annual budget of revenues and expenditures/expenses for all funds of the City for use by City officials and department heads and such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of January.

The City's most significant budgeted fund is the General Fund. For revenues, changes from the original budget to the final budget as well as from the final budget to actual revenues was not significant. The largest change was related to municipal income taxes as the City was conservative in its estimate due to no knowing the exact impact of COVID-19. For expenditures changes from the original budget to the final budget were not significant. The savings from the final budget to actual expenditures were due to conservative budgeting.

CITY OF WATERVILLE
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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's net investment in capital assets for governmental and business-type activities as of December 31, 2020, was \$12,786,699 and \$8,954,044, respectively (net of accumulated depreciation and related debt). This net investment in capital assets includes land and land improvements, buildings, equipment, vehicles, and infrastructure (streets and water, sewer, and storm sewer lines). For governmental activities, the additions for 2020 consisted of street improvements, a new police vehicle, a dump truck, and miscellaneous equipment. Disposals for governmental activities included a dump truck. There were no additions or disposals for business-type funds. For further information regarding the City's capital assets, refer to Note 9 to the basic financial statements.

Debt - At December 31, 2020, the City had \$1,661,000 in outstanding bond anticipation notes, \$4,240,000 in general obligation bonds, \$545,606 in Ohio Public Works Commission loans, \$26,546 in Ohio Water Development Authority loans, and \$2,625,123 in a long-term loan with Lucas County. Of this total outstanding debt, \$7,584,778 will be paid from business-type activities.

In addition to the debt outlined above, the City's long-term obligations also include the net pension liability, OPEB liability, capital leases, and compensated absences. For further information regarding the City's debt, refer to Notes 15, 16, and 17 to the basic financial statements.

CURRENT ISSUES

The City has three labor unions, two contracts are with the Ohio Patrolmen's Benevolent Association, which represents the police command officers and the patrol officers, and one contract with the Teamsters Union which represents the public works technicians. The current contracts were effective January 1, 2018, and expire December 31, 2021.

Other current issues and events in the City include the following:

- Currently under construction along Pray Boulevard north of State Route 64 is a thirty-one lot single family residential subdivision. A two hundred fifty-two unit apartment complex is also under construction on Pray Boulevard.
- Fiddler's Green Subdivision, consisting of thirty single family lots, is currently under construction off of Pray Boulevard.
- During 2020, the City issued \$1,661,000 in bond anticipation notes to retire notes previously issued for construction/improvement related projects. The notes had an interest rate of 1 percent and mature on July 21, 2021.
- An additional forty-six lots are being planned for the Waterville Meadows and Farnsworth Village residential subdivisions.
- The new \$13 million Waterville bridge over the Maumee River, replacing the current bridge built in 1948, is presently under construction with an expected completion date of 2021.

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Management's Discussion and Analysis
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REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well-being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Mark S. Williams, CFE, Finance Director, City of Waterville, 25 North Second Street, Waterville, Ohio 43566, at mwilliams@waterville.org, or at 419-878-8100.

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City of Waterville
Statement of Net Position
December 31, 2020

	Governmental Activities	Business-Type Activities*	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$6,329,563	\$2,703,359	\$9,032,922
Accounts Receivable	91,728	275,951	367,679
Accrued Interest Receivable	5,609	2,236	7,845
Due from Other Governments	322,028	0	322,028
Municipal Income Taxes Receivable	1,064,669	0	1,064,669
Other Local Taxes Receivable	4,862	0	4,862
Prepaid Items	27,572	6,000	33,572
Materials and Supplies Inventory	44,604	22,511	67,115
Property Taxes Receivable	1,407,688	0	1,407,688
Special Assessments Receivable	2,481	0	2,481
Net Pension Asset	28,724	14,796	43,520
Nondepreciable Capital Assets	1,939,933	33,643	1,973,576
Depreciable Capital Assets, Net	12,382,464	13,720,056	26,102,520
Total Assets	23,651,925	16,778,552	40,430,477
<u>Deferred Outflows of Resources</u>			
Pension	470,522	66,557	537,079
OPEB	268,664	45,332	313,996
Total Deferred Outflows of Resources	739,186	111,889	851,075
<u>Liabilities</u>			
Accrued Wages Payable	28,064	4,990	33,054
Accounts Payable	61,555	8,129	69,684
Contracts Payable	8,017	75,494	83,511
Due to Other Governments	18,735	130,223	148,958
Accrued Interest Payable	3,878	10,521	14,399
Unearned Revenue	281,728	0	281,728
Notes Payable	50,000	1,611,000	1,661,000
Long-Term Liabilities			
Due Within One Year	167,709	391,972	559,681
Due in More Than One Year			
Net Pension Liability	2,791,046	376,879	3,167,925
Net OPEB Liability	851,144	282,904	1,134,048
Other Amounts Due in More Than One Year	1,470,906	5,628,060	7,098,966
Total Liabilities	5,732,782	8,520,172	14,252,954
<u>Deferred Inflows of Resources</u>			
Property Taxes	1,293,277	0	1,293,277
Pension	784,371	96,824	881,195
OPEB	314,937	44,923	359,860
Total Deferred Inflows of Resources	2,392,585	141,747	2,534,332
<u>Net Position</u>			
Net Investment in Capital Assets	12,786,699	8,954,044	21,740,743
Restricted for			
Capital Projects	2,161,706	0	2,161,706
Other Purposes	62,075	0	62,075
Street Construction, Maintenance, and Repair	614,834	0	614,834
Unrestricted (Deficit)	640,430	(725,522)	(85,092)
Total Net Position	\$16,265,744	\$8,228,522	\$24,494,266

*After deferred outflows and deferred inflows related to the change in internal proportionate share of pension/OPEB related items have been eliminated.

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Waterville
Statement of Activities
For the Year Ended December 31, 2020

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities</u>				
Security of Persons and Property				
Police	\$1,404,941	\$7,280	\$34,917	\$0
Fire	908,664	112,965	132,873	0
Other	53,695	0	0	0
Leisure Time Activities	112,751	5,157	0	0
Community Environment	114,590	308	0	0
Basic Utility Services	309,643	291,104	18,416	0
Transportation	1,314,371	29,035	413,719	283,117
General Government	1,330,024	86,130	52,114	10,920
Interest and Fiscal Charges	49,994	0	0	0
Total Governmental Activities	5,598,673	531,979	652,039	294,037
<u>Business-Type Activities</u>				
Water	1,793,557	1,822,139	0	0
Sewer	1,014,217	820,317	0	0
Total Business-Type Activities	2,807,774	2,642,456	0	0
Total	\$8,406,447	\$3,174,435	\$652,039	\$294,037
<u>General Revenues</u>				
Property Taxes Levied for General Purposes				
Property Taxes Levied Police Pension				
Municipal Income Taxes				
Payment in Lieu of Taxes				
Grants and Entitlements not Restricted to Specific Programs				
Franchise Taxes				
Interest				
Other				
Total General Revenues				
Change in Net Position				
Net Position Beginning of Year				
Net Position End of Year				

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

Net (Expense) Revenue
and Change in Net Position

Governmental Activities	Business-Type Activities	Total
(\$1,362,744)	\$0	(\$1,362,744)
(662,826)	0	(662,826)
(53,695)	0	(53,695)
(107,594)	0	(107,594)
(114,282)	0	(114,282)
(123)	0	(123)
(588,500)	0	(588,500)
(1,180,860)	0	(1,180,860)
(49,994)	0	(49,994)
(4,120,618)	0	(4,120,618)
0	28,582	28,582
0	(193,900)	(193,900)
0	(165,318)	(165,318)
(4,120,618)	(165,318)	(4,285,936)
636,800	0	636,800
56,267	0	56,267
3,791,437	0	3,791,437
146,707	0	146,707
341,988	0	341,988
94,343	0	94,343
51,281	20,496	71,777
352,883	95,204	448,087
5,471,706	115,700	5,587,406
1,351,088	(49,618)	1,301,470
14,914,656	8,278,140	23,192,796
\$16,265,744	\$8,228,522	\$24,494,266

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City of Waterville
Balance Sheet
Governmental Funds
December 31, 2020

	General	Fire Levy	Various Improvements	Other Governmental	Total Governmental Funds
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$3,384,822	\$0	\$1,896,805	\$1,047,936	\$6,329,563
Accounts Receivable	69,572	0	0	22,156	91,728
Accrued Interest Receivable	3,471	0	1,752	386	5,609
Due from Other Governments	163,647	4,651	0	153,730	322,028
Municipal Income Taxes Receivable	798,502	0	266,167	0	1,064,669
Other Local Taxes Receivable	0	0	0	4,862	4,862
Prepaid Items	22,319	0	0	5,253	27,572
Materials and Supplies Inventory	10,695	0	0	33,909	44,604
Property Taxes Receivable	705,522	643,554	0	58,612	1,407,688
Special Assessments Receivable	0	0	2,481	0	2,481
Total Assets	<u>\$5,158,550</u>	<u>\$648,205</u>	<u>\$2,167,205</u>	<u>\$1,326,844</u>	<u>\$9,300,804</u>
<u>Liabilities</u>					
Accrued Wages Payable	\$25,573	\$0	\$0	\$2,491	\$28,064
Accounts Payable	50,763	0	5,276	5,516	61,555
Contracts Payable	8,017	0	0	0	8,017
Due to Other Governments	18,107	0	0	628	18,735
Accrued Interest Payable	0	0	223	0	223
Unearned Revenue	0	0	0	281,728	281,728
Notes Payable	0	0	50,000	0	50,000
Total Liabilities	<u>102,460</u>	<u>0</u>	<u>55,499</u>	<u>290,363</u>	<u>448,322</u>
<u>Deferred Inflows of Resources</u>					
Property Taxes	600,428	643,554	0	49,295	1,293,277
Unavailable Revenue	<u>918,140</u>	<u>4,651</u>	<u>214,619</u>	<u>157,110</u>	<u>1,294,520</u>
Total Deferred Inflows of Resources	<u>1,518,568</u>	<u>648,205</u>	<u>214,619</u>	<u>206,405</u>	<u>2,587,797</u>
<u>Fund Balance</u>					
Nonspendable	33,014	0	0	39,162	72,176
Restricted	0	0	1,897,087	529,170	2,426,257
Committed	60,752	0	0	261,744	322,496
Assigned	154,477	0	0	0	154,477
Unassigned	<u>3,289,279</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,289,279</u>
Total Fund Balance	<u>3,537,522</u>	<u>0</u>	<u>1,897,087</u>	<u>830,076</u>	<u>6,264,685</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$5,158,550</u>	<u>\$648,205</u>	<u>\$2,167,205</u>	<u>\$1,326,844</u>	<u>\$9,300,804</u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Waterville
Reconciliation of Total Governmental Fund Balance
to Net Position of Governmental Activities
December 31, 2020

Total Governmental Fund Balance	\$6,264,685
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Amounts reported for governmental activities on the statement of net position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,322,397
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Accounts Receivable	59,477	
Accrued Interest Receivable	2,134	
Due from Other Governments	270,359	
Municipal Income Taxes Receivable	845,658	
Delinquent Property Taxes Receivable	114,411	
Special Assessments Receivable	2,481	
		1,294,520

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued Interest Payable	(3,655)	
General Obligations Bonds Payable	(1,365,000)	
OPWC Loans Payable	(98,497)	
Capital Leases Payable	(22,201)	
Compensated Absences Payable	(152,917)	
		(1,642,270)

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

Net Pension Asset	28,724	
Deferred Outflows - Pension	470,522	
Deferred Inflows - Pension	(784,371)	
Net Pension Liability	(2,791,046)	
Deferred Outflows - OPEB	268,664	
Deferred Inflows - OPEB	(314,937)	
Net OPEB Liability	(851,144)	
		(3,973,588)

Net Position of Governmental Activities	\$16,265,744
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See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Waterville
Statement of Revenues, Expenditures,
and Change in Fund Balance
Governmental Funds
For the Year Ended December 31, 2020

	General	Various Improvements	Other Governmental	Total Governmental Funds
<u>Revenues</u>				
Property Taxes	\$535,499	\$0	\$47,285	\$582,784
Municipal Income Taxes	2,758,332	919,454	0	3,677,786
Other Local Taxes	0	0	29,035	29,035
Payment in Lieu of Taxes	0	0	146,707	146,707
Special Assessments	0	3,256	0	3,256
Charges for Services	490,056	0	0	490,056
Fees, Licenses, and Permits	27,317	0	90,037	117,354
Fines and Forfeitures	4,916	0	2,363	7,279
Intergovernmental	336,033	305,814	631,830	1,273,677
Interest	34,502	18,212	3,871	56,585
Other	306,290	24,206	21,451	351,947
Total Revenues	4,492,945	1,270,942	972,579	6,736,466
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	1,169,751	33,026	86,676	1,289,453
Fire	595,409	80,137	126,923	802,469
Other	119,390	5,038	0	124,428
Leisure Time Activities	0	0	59,346	59,346
Community Environment	78,595	35,995	0	114,590
Basic Utility Services	293,027	0	16,616	309,643
Transportation	0	446,373	357,188	803,561
General Government	1,010,270	125,857	210,382	1,346,509
Debt Service:				
Principal Retirement	0	158,557	0	158,557
Current Refunding	0	50,000	0	50,000
Interest and Fiscal Charges	0	50,847	0	50,847
Total Expenditures	3,266,442	985,830	857,131	5,109,403
Excess of Revenues Over Expenditures	1,226,503	285,112	115,448	1,627,063
<u>Other Financing Sources</u>				
Sale of Capital Assets	0	1,500	0	1,500
Change in Fund Balance	1,226,503	286,612	115,448	1,628,563
Fund Balance Beginning of Year	2,311,019	1,610,475	714,628	4,636,122
Fund Balance End of Year	\$3,537,522	\$1,897,087	\$830,076	\$6,264,685

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Waterville
Reconciliation of Statement of Revenues, Expenditures,
and Change in Fund Balance
of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2020

Change in Fund Balance - Total Governmental Funds	\$1,628,563
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Amounts reported for governmental activities on the statement of activities are different because of the following:

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

Capital Outlay - Nondepreciable Capital Assets	884	
Capital Outlay - Depreciable Capital Assets	432,104	
Depreciation	<u>(1,014,900)</u>	(581,912)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the book value of the capital assets is removed from the capital asset account on the statement of net position and is offset against the proceeds from the sale of capital assets resulting in a gain on disposal of capital assets on the statement of activities.

Proceeds from the Sale of Capital Assets	(1,500)	
Gain on Disposal of Capital Assets	<u>1,500</u>	0

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

Delinquent Property Taxes	110,283	
Municipal Income Taxes	113,651	
Special Assessments	(2,948)	
Charges for Services	(27,173)	
Fees, Licenses, and Permits	9,463	
Intergovernmental	10,633	
Interest	(1,550)	
Other	<u>(564)</u>	211,795

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position.

Bond Anticipation Notes Payable	50,000	
General Obligation Bonds Payable	145,000	
OPWC Loans Payable	6,156	
Capital Leases Payable	<u>7,401</u>	208,557

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position.	853
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Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(13,465)
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Except for amounts reported as deferred outflows/inflows, changes in the net pension liability and net OPEB liability are reported as pension/OPEB expense on the statement of activities.

Pension	(299,032)	
OPEB	<u>(55,899)</u>	(354,931)

(continued)

City of Waterville
Reconciliation of Statement of Revenues, Expenditures,
and Change in Fund Balance
of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2020
(continued)

Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows.

Pension	\$246,454	
OPEB	<u>5,174</u>	<u>251,628</u>

Change in Net Position of Governmental Activities	<u><u>\$1,351,088</u></u>
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See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Waterville
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2020

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<u>Revenues</u>				
Property Taxes	\$490,000	\$535,499	\$535,499	\$0
Municipal Income Taxes	2,575,474	2,572,665	2,820,043	247,378
Charges for Services	461,431	478,583	485,466	6,883
Fees, Licenses, and Permits	41,007	44,600	27,317	(17,283)
Fines and Forfeitures	8,918	9,700	5,601	(4,099)
Intergovernmental	317,462	345,282	334,773	(10,509)
Interest	22,894	24,900	22,122	(2,778)
Other	297,188	346,076	306,440	(39,636)
Total Revenues	4,214,374	4,357,305	4,537,261	179,956
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	1,319,461	1,361,360	1,200,093	161,267
Fire	969,501	1,024,191	602,485	421,706
Other	124,955	134,955	122,915	12,040
Leisure Time Activities	22,150	22,150	0	22,150
Community Environment	103,324	110,624	78,596	32,028
Basic Utility Services	317,551	322,650	311,105	11,545
General Government	1,270,138	1,338,899	1,040,839	298,060
Total Expenditures	4,127,080	4,314,829	3,356,033	958,796
Excess of Revenues Over (Under) Expenditures	87,294	42,476	1,181,228	1,138,752
<u>Other Financing Uses</u>				
Transfers Out	(292,000)	(292,000)	0	292,000
Change in Fund Balance	(204,706)	(249,524)	1,181,228	1,430,752
Fund Balance Beginning of Year	2,025,767	2,025,767	2,025,767	0
Prior Year Encumbrances Appropriated	111,748	111,748	111,748	0
Fund Balance End of Year	<u>\$1,932,809</u>	<u>\$1,887,991</u>	<u>\$3,318,743</u>	<u>\$1,430,752</u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Waterville
Statement of Fund Net Position
Enterprise Funds
December 31, 2020

	Water	Sewer	Total Enterprise Funds
<u>Assets</u>			
<u>Current Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,717,137	\$986,222	\$2,703,359
Accounts Receivable	185,564	90,387	275,951
Accrued Interest Receivable	1,465	771	2,236
Prepaid Items	2,557	3,443	6,000
Materials and Supplies Inventory	19,971	2,540	22,511
Total Current Assets	1,926,694	1,083,363	3,010,057
<u>Non-Current Assets</u>			
Net Pension Asset	7,398	7,398	14,796
Nondepreciable Capital Assets	14,200	19,443	33,643
Depreciable Capital Assets, Net	7,890,426	5,829,630	13,720,056
Total Non-Current Assets	7,912,024	5,856,471	13,768,495
Total Assets	9,838,718	6,939,834	16,778,552
<u>Deferred Outflows of Resources</u>			
Pension	33,214	33,375	66,589
OPEB	23,855	22,667	46,522
Total Deferred Outflows of Resources	57,069	56,042	113,111
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accrued Wages Payable	2,387	2,603	4,990
Accounts Payable	3,583	4,546	8,129
Contracts Payable	37,747	37,747	75,494
Due to Other Governments	127,422	2,801	130,223
Accrued Interest Payable	9,777	744	10,521
Notes Payable	1,531,000	80,000	1,611,000
General Obligation Bonds Payable	135,000	15,000	150,000
OPWC Loans Payable	22,444	17,185	39,629
OWDA Loans Payable	0	2,340	2,340
Due to Lucas County	6,742	192,641	199,383
Compensated Absences Payable	252	368	620
Total Current Liabilities	1,876,354	355,975	2,232,329
<u>Non-Current Liabilities</u>			
General Obligation Bonds Payable	2,410,000	315,000	2,725,000
OPWC Loans Payable	283,442	124,038	407,480
OWDA Loans Payable	0	24,206	24,206
Due to Lucas County	82,165	2,343,575	2,425,740
Compensated Absences Payable	26,284	19,350	45,634
Net Pension Liability	188,440	188,439	376,879
Net OPEB Liability	141,451	141,453	282,904
Total Non-Current Liabilities	3,131,782	3,156,061	6,287,843
Total Liabilities	5,008,136	3,512,036	8,520,172

City of Waterville
Statement of Fund Net Position
Enterprise Funds
December 31, 2020
(continued)

	Water	Sewer	Total Enterprise Funds
<u>Deferred Inflows of Resources</u>			
Pension	\$44,647	\$52,209	\$96,856
OPEB	21,519	24,594	46,113
	<u>66,166</u>	<u>76,803</u>	<u>142,969</u>
<u>Net Position</u>			
Net Investment in Capital Assets	3,602,740	5,351,304	8,954,044
Unrestricted (Deficit)	1,218,745	(1,944,267)	(725,522)
	<u>\$4,821,485</u>	<u>\$3,407,037</u>	<u>\$8,228,522</u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Waterville
Statement of Revenues, Expenses,
and Change in Fund Net Position
Enterprise Funds
For the Year Ended December 31, 2020

	Water	Sewer	Total Enterprise Funds
<u>Operating Revenues</u>			
Charges for Services	\$1,822,139	\$820,317	\$2,642,456
Other	75,748	19,456	95,204
Total Operating Revenues	<u>1,897,887</u>	<u>839,773</u>	<u>2,737,660</u>
<u>Operating Expenses</u>			
Personal Services	245,748	265,695	511,443
Contractual Services	1,053,848	329,827	1,383,675
Materials and Supplies	86,416	74,562	160,978
Depreciation	301,532	249,079	550,611
Other	2,826	1,914	4,740
Total Operating Expenses	<u>1,690,370</u>	<u>921,077</u>	<u>2,611,447</u>
Operating Income (Loss)	<u>207,517</u>	<u>(81,304)</u>	<u>126,213</u>
<u>Non-Operating Revenues (Expenses)</u>			
Interest Revenue	13,147	7,349	20,496
Interest Expense	(103,187)	(93,140)	(196,327)
Total Non-Operating Revenues (Expenses)	<u>(90,040)</u>	<u>(85,791)</u>	<u>(175,831)</u>
Change in Net Position	117,477	(167,095)	(49,618)
Net Position Beginning of Year	<u>4,704,008</u>	<u>3,574,132</u>	<u>8,278,140</u>
Net Position End of Year	<u><u>\$4,821,485</u></u>	<u><u>\$3,407,037</u></u>	<u><u>\$8,228,522</u></u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

City of Waterville
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2020

	Water	Sewer	Total Enterprise Funds
Increases in Cash and Cash Equivalents			
<u>Cash Flows from Operating Activities</u>			
Cash Received from Customers	\$1,817,350	\$820,255	\$2,637,605
Cash Received from Other Revenues	75,813	19,520	95,333
Cash Payments for Personal Services	(231,063)	(252,274)	(483,337)
Cash Payments for Contractual Services	(1,008,120)	(367,859)	(1,375,979)
Cash Payments to Vendors	(37,862)	(36,243)	(74,105)
Cash Payments for Other Expenses	(2,826)	(1,914)	(4,740)
Net Cash Provided by Operating Activities	<u>613,292</u>	<u>181,485</u>	<u>794,777</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Principal Paid on Bond Anticipation Notes	(1,507,000)	(34,000)	(1,541,000)
Principal Paid on General Obligation Bonds	(120,000)	(10,000)	(130,000)
Principal Paid on OPWC Loans	(11,223)	(8,568)	(19,791)
Principal Paid on OWDA Loans	0	(2,277)	(2,277)
Principal Paid to Lucas County	(13,485)	(164,817)	(178,302)
Interest Paid on Bond Anticipation Notes	(37,675)	(850)	(38,525)
Interest Paid on General Obligation Bonds	(53,638)	(5,788)	(59,426)
Interest Paid on OPWC Loans	0	(257)	(257)
Interest Paid on OWDA Loans	0	(777)	(777)
Interest Paid to Lucas County	0	(82,959)	(82,959)
Payment to Refunded Bond Escrow Agent	(2,635,901)	(297,878)	(2,933,779)
Bond Anticipation Notes Issued	1,531,000	80,000	1,611,000
General Obligation Bonds Issued	<u>2,665,000</u>	<u>340,000</u>	<u>3,005,000</u>
Net Cash Used for Capital and Related Financing Activities	<u>(182,922)</u>	<u>(188,171)</u>	<u>(371,093)</u>
<u>Cash Flows from Investing Activities</u>			
Interest	<u>13,674</u>	<u>7,846</u>	<u>21,520</u>
Net Increase in Cash and Cash Equivalents	444,044	1,160	445,204
Cash and Cash Equivalents Beginning of Year	<u>1,273,093</u>	<u>985,062</u>	<u>2,258,155</u>
Cash and Cash Equivalents End of Year	<u><u>\$1,717,137</u></u>	<u><u>\$986,222</u></u>	<u><u>\$2,703,359</u></u>

City of Waterville
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2020
(continued)

	Water	Sewer	Total Enterprise Funds
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>			
Operating Income (Loss)	\$207,517	(\$81,304)	\$126,213
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</u>			
Depreciation	301,532	249,079	550,611
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(4,789)	(62)	(4,851)
Decrease in Due from Other Governments	65	64	129
Decrease in Prepaid Items	16	29	45
Decrease in Materials and Supplies Inventory	10,324	134	10,458
Increase in Net Pension Asset	(1,076)	(1,076)	(2,152)
Decrease in Accrued Wages Payable	(4,354)	(4,623)	(8,977)
Increase in Accounts Payable	429	2,175	2,604
Increase in Contracts Payable	37,747	37,747	75,494
Increase (Decrease) in Due to Other Governments	44,324	(41,348)	2,976
Increase in Compensated Absences Payable	4,638	4,651	9,289
Increase in Net Pension Liability	4,269	4,269	8,538
Decrease in Deferred Outflows - Pension	38,814	40,279	79,093
Decrease in Deferred Inflows - Pension	(39,031)	(40,799)	(79,830)
Increase in Net OPEB Liability	8,607	8,608	17,215
Decrease in Deferred Outflows - OPEB	20,566	19,866	40,432
Decrease in Deferred Inflows - OPEB	(16,306)	(16,204)	(32,510)
Net Cash Provided by Operating Activities	<u>\$613,292</u>	<u>\$181,485</u>	<u>\$794,777</u>

See Accompanying Notes to the Basic Financial Statements
See Accountant's Compilation Report

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

NOTE 1 - DESCRIPTION OF THE CITY OF WATERVILLE AND THE REPORTING ENTITY

A. The City

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

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

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

B. Reporting Entity

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. There were no component units of the City of Waterville in 2020.

The City participates in an insurance pool, the Ohio Plan Risk Management, and a jointly governed organization, the Regional Income Tax Agency (RITA), which are presented in Notes 20 and 21 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Waterville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the City's accounting policies.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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

B. Fund Accounting

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

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

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

General Fund - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Various Improvements Fund - The Various Improvements capital projects fund accounts for income tax receipts, note proceeds, and grant monies used for construction projects or to acquire capital assets.

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, change in net position, financial position, and cash flows.

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

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

Sewer Fund - The Sewer Fund accounts for the provision of sanitary and storm sewer service to residential and commercial users within the City.

C. Measurement Focus

Government-Wide Financial Statements

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

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses, and change in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the City finances and meets the cash flow needs of its enterprise activities.

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; enterprise funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means 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 after year end.

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

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: income taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle registration fees), grants, and interest.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report 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 that time. For the City, deferred outflows of resources are reported on the government-wide and enterprise funds statement of net position for pension and OPEB and explained in Notes 12 and 13 to the basic financial statements.

In addition to liabilities, the statement of financial position may report 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 until that time. For the City, deferred inflows of resources consists of property taxes, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there was an enforceable legal claim as of December 31, 2020, but which were levied to finance 2021 operations. This amount has been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes accrued interest, intergovernmental revenue including grants, municipal income taxes, delinquent property taxes, special assessments, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities on page 20. Deferred inflows of resources related to pension and OPEB are reported on the government-wide and enterprise funds statement of net position and explained in Notes 12 and 13 to the basic financial statements.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process

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

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

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

F. Cash and Investments

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2020, the City's investments included negotiable certificates of deposit and STAR Ohio. Investments are reported at fair value, which is based on quoted market price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants". The City measures the investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The net asset value per share is calculated on an amortized cost basis that provides a net asset value per share that approximates fair value.

For 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million requiring the excess amount to be transacted the following business day(s) but only to the \$100 million limit. All accounts of the participant will be combined for this purpose.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest earnings are allocated to City funds according to City Charter, State statutes, or grant requirements. Interest revenue credited to the General Fund during 2020 was \$34,502, which includes \$13,886 assigned from other City funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of expendable supplies held for consumption.

I. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column on the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition value on the date donated. The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Description	Estimated Lives
Land Improvements	20-40 years
Buildings and Improvements	35-100 years
Furniture, Fixtures, and Equipment	5-50 years
Vehicles	5-30 years
Streets	15-40 years
Water, Sewer, and Storm Sewer Lines	50 years

J. Interfund Activity

Deferred inflows of resources and deferred outflows of resources from the change in proportionate share related to pension/OPEB items are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column on the government-wide statement of net position.

K. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in City policies. The City records a liability for accumulated unused sick leave for all employees with ten or more years of service.

L. Accrued Liabilities and Long-Term Obligations

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

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

M. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes activities for maintenance and repair of State highways and various police department grants and programs. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. Fund Balance

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

Nonspendable - The nonspendable classification 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" includes items that are not expected to be converted to cash.

Restricted - The restricted classification includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinance).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for purposes specified by the legislation.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Committed - The committed classification includes amounts that can be used only for the specific purposes determined by a formal action (ordinance) of City Council. The committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. 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 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. Assigned amounts represent intended uses established by City Council. The City Council has authorized the Finance Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council has also assigned amounts to cover a gap between estimated resources and appropriations in the 2021 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.

The City first applies restricted resources when an expenditure is 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 can be used.

O. Operating Revenues and Expenses

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

P. Interfund Transactions

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

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Pension/Postemployment

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

R. 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.

NOTE 3 - COMPLIANCE

The CARES Act special revenue fund had final appropriations in excess of estimated resources, in the amount of \$63,108. The Finance Director will review appropriations to ensure they are within available resources.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Change in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - 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. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

Adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis are as follows:

Change in Fund Balance	
GAAP Basis	\$1,226,503
<u>Increases (Decreases) Due To</u>	
Revenue Accruals:	
Accrued 2019, Received in Cash 2020	278,123
Accrued 2020, Not Yet Received in Cash	(222,146)
Expenditure Accruals:	
Accrued 2019, Paid in Cash 2020	(149,426)
Accrued 2020, Not Yet Paid in Cash	102,460
Cash Adjustments:	
Unrecorded Activity 2019	7,008
Unrecorded Activity 2020	(18,669)
Prepaid Items	(1,060)
Materials and Supplies Inventory	5,845
Encumbrances Outstanding at Year End (Budget Basis)	(47,410)
Budget Basis	<u><u>\$1,181,228</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio (if training requirements have been met);
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed two hundred seventy days in an amount not to exceed 40 percent of the interim monies available for investment at any one time (if training requirements have been met).

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of settlement, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Investments

As of December 31, 2020, the City had the following investments:

Measurement/Investment	Measurement Amount	Maturity
Fair Value - Level Two Inputs		
Negotiable Certificate of Deposit	\$100,404	2/26/21
Negotiable Certificate of Deposit	210,895	3/1/21
Negotiable Certificate of Deposit	127,795	12/20/21
Negotiable Certificate of Deposit	206,250	1/10/22
Negotiable Certificate of Deposit	103,285	3/22/22
Negotiable Certificate of Deposit	227,689	4/11/22
Negotiable Certificate of Deposit	104,334	12/19/22
Negotiable Certificate of Deposit	162,141	7/27/23
Negotiable Certificate of Deposit	104,632	8/29/23
Negotiable Certificate of Deposit	86,320	9/14/23
Negotiable Certificate of Deposit	126,098	1/30/24
Negotiable Certificate of Deposit	99,584	5/30/24
Negotiable Certificate of Deposit	100,269	6/19/24
Net Value per Share		
Star Ohio	6,885	55.8 days
Total Investments	\$1,766,581	

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the City's recurring fair value measurements as of December 31, 2020. All of the City's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

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

The negotiable certificates of deposit are insured by the FDIC and/or SIPC. STAR Ohio carries a rating of AAA by Standard and Poor's. The City has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The City places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of investments to the City's total portfolio:

	Fair Value	Percentage of Portfolio
Negotiable Certificates of Deposit	\$1,759,696	99.6%

NOTE 6 - RECEIVABLES

Receivables at December 31, 2020, consisted of accounts (billings for user charged services, including unbilled utility services); accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; other local taxes; property taxes; and special assessments. All receivables are expected to be collected within one year, except as noted. Municipal income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Special assessments receivable, in the amount of \$214, will not be received within one year. At December 31, 2020, the amount of delinquent special assessments was \$243.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 6 - RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$31,789
Local Government	128,112
City of Maumee	405
Ohio Department of Public Safety	3,341
Total General Fund	<u>163,647</u>
Fire Levy	
Homestead and Rollback	4,651
Total Major Funds	<u>168,298</u>
Nonmajor Funds	
Street Maintenance	
Gasoline Tax	114,753
Motor Vehicle License Tax	17,989
Total Street Maintenance	<u>132,742</u>
State Highway	
Gasoline Tax	9,763
Motor Vehicle License Tax	1,459
Total State Highway	<u>11,222</u>
Permissive Tax	
Permissive Tax	6,961
Police Pension	
Homestead and Rollback	2,805
Total Nonmajor Funds	<u>153,730</u>
Total Governmental Activities	<u><u>\$322,028</u></u>

NOTE 7 - MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 2 percent based on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 75 percent (up to 1.5 percent of the 2 percent income tax total) of the tax paid to another municipality. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax revenue was credited to the General Fund (1.5 percent) and to the Various Improvements capital projects fund (.5 percent) for 2020.

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

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Real property tax revenues received in 2020 represent the collection of 2019 taxes. Real property taxes received in 2020 were levied after October 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2020 represent the collection of 2019 taxes. Public utility real and tangible personal property taxes received in 2020 became a lien on December 31, 2018, were levied after October 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City Waterville. The County Auditor periodically remits to the City its portion of the taxes collected.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of December 31, 2020, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2020 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, delinquent real 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.

The full tax rate for all City operations for the year ended December 31, 2020, was \$3.70 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2020 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Agricultural/Residential	\$126,875,510
Commercial/Industrial	29,621,360
Public Utility Real	17,380
Public Utility Personal	44,721,760
Total	<u>\$201,236,010</u>

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 9 - CAPITAL ASSETS

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

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$1,939,933	\$0	\$0	\$1,939,933
Construction in Progress	395,685	884	(396,569)	0
Total Nondepreciable Capital Assets	2,335,618	884	(396,569)	1,939,933
Depreciable Capital Assets				
Land Improvements	1,004,239	0	0	1,004,239
Buildings and Improvements	1,293,917	0	0	1,293,917
Furniture, Fixtures, and Equipment	1,239,216	10,920	0	1,250,136
Vehicles	2,288,794	121,334	(34,735)	2,375,393
Streets	29,375,253	696,419	0	30,071,672
Total Depreciable Capital Assets	35,201,419	828,673	(34,735)	35,995,357
Less Accumulated Depreciation for				
Land Improvements	(217,643)	(44,786)	0	(262,429)
Buildings and Improvements	(263,164)	(14,276)	0	(277,440)
Furniture, Fixtures, and Equipment	(739,566)	(70,177)	0	(809,743)
Vehicles	(1,157,714)	(93,028)	34,735	(1,216,007)
Streets	(20,254,641)	(792,633)	0	(21,047,274)
Total Accumulated Depreciation	(22,632,728)	(1,014,900)	34,735	(23,612,893)
Total Depreciable Capital Assets, Net	12,568,691	(186,227)	0	12,382,464
Governmental Activities Capital Assets, Net	\$14,904,309	(\$185,343)	(\$396,569)	\$14,322,397

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 9 - CAPITAL ASSETS (continued)

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$33,643	\$0	\$0	\$33,643
Depreciable Capital Assets				
Buildings and Improvements	148,393	0	0	148,393
Furniture, Fixtures, and Equipment	2,015,217	0	0	2,015,217
Vehicles	237,244	0	0	237,244
Water, Sewer, and Storm Sewer Lines	23,509,831	0	0	23,509,831
Total Depreciable Capital Assets	25,910,685	0	0	25,910,685
Less Accumulated Depreciation for				
Buildings and Improvements	(76,093)	(2,403)	0	(78,496)
Furniture, Fixtures, and Equipment	(1,506,517)	(73,465)	0	(1,579,982)
Vehicles	(191,178)	(4,536)	0	(195,714)
Water, Sewer, and Storm Sewer Lines	(9,866,230)	(470,207)	0	(10,336,437)
Total Accumulated Depreciation	(11,640,018)	(550,611)	0	(12,190,629)
Total Depreciable Capital Assets, Net	14,270,667	(550,611)	0	13,720,056
Business-Type Activities Capital Assets, Net	<u>\$14,304,310</u>	<u>(\$550,611)</u>	<u>\$0</u>	<u>\$13,753,699</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property - Police	\$24,205
Security of Persons and Property - Fire	97,374
Leisure Time Activities	53,405
Transportation	822,477
General Government	17,439
Total Depreciation Expense - Governmental Activities	<u>\$1,014,900</u>

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2020, the City contracted with the Ohio Plan Risk Management, an insurance purchasing pool, for the following coverage:

Type of Coverage	Coverage	Deductible
Blanket Building and Personal Property	\$11,603,882	\$1,000
Special Property	1,356,559	1,000
General Liability		
Occurrence	5,000,000	0
Aggregate	7,000,000	0
Employer's Liability		
Occurrence	5,000,000	0
Aggregate	5,000,000	0
Employee Benefits		
Occurrence	5,000,000	0
Aggregate	7,000,000	0
Public Officials Liability		
Occurrence	5,000,000	2,500
Aggregate	7,000,000	2,500
Law Enforcement Liability		
Occurrence	5,000,000	2,500
Aggregate	7,000,000	2,500
Auto Liability	5,000,000	500

There has been no significant reduction in insurance coverage from 2019 and no insurance settlement has exceeded insurance coverage during the last three years.

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

NOTE 11 - CONTRACTUAL COMMITMENTS

At December 31, 2020, the City had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
Penn Care, Inc.	New Ambulance	\$271,132
Deere & Company	New Tractor	56,322
Neputne Equipment	Water Meter Replacement Project	578,272

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 11 - CONTRACTUAL COMMITMENTS (continued)

At year end, the significant encumbrances expected to be honored upon performance by the vendor in 2021 are as follows:

General Fund	\$47,410
Various Improvements Fund	120,270
Other Governmental Funds	342,838
Total	<u>\$510,518</u>

NOTE 12 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability (Asset)/Net OPEB Liability

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

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

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

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

GASB Statements No. 68 and No. 75 assume 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 the employers. All pension contributions to date have come solely from the employer (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contribution to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care cost in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within thirty years. If the pension amortization period exceeds thirty 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 (asset). Resulting adjustments to the net pension/OPEB liability (asset) 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 net pension/OPEB asset or long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting.

The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

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

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

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

Group A Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Group C Members not in other groups and members hired on or after January 7, 2013
<p style="text-align: center;">State and Local</p> <p>Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit</p> <p>Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years</p> <p>Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 years</p>	<p style="text-align: center;">State and Local</p> <p>Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit</p> <p>Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years</p> <p>Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 years</p>	<p style="text-align: center;">State and Local</p> <p>Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit</p> <p>Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years</p> <p>Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35 years</p>
<p style="text-align: center;">Public Safety</p> <p>Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit</p>	<p style="text-align: center;">Public Safety</p> <p>Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit</p>	<p style="text-align: center;">Public Safety</p> <p>Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit</p>
<p style="text-align: center;">Law Enforcement</p> <p>Age and Service Requirements: Age 52 with 15 years of service credit</p>	<p style="text-align: center;">Law Enforcement</p> <p>Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit</p>	<p style="text-align: center;">Law Enforcement</p> <p>Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit</p>
<p style="text-align: center;">Public Safety and Law Enforcement</p> <p>Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years</p>	<p style="text-align: center;">Public Safety and Law Enforcement</p> <p>Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years</p>	<p style="text-align: center;">Public Safety and Law Enforcement</p> <p>Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years</p>

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

When a traditional plan benefit recipient has received benefits for twelve months, current law provides an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost of living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the COLA 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.

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

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

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

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

	State and Local	Public Safety	Law Enforcement
2020 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee *	10.0 %	**	***
2020 Actual Contribution Rates			
Employer			
Pension ****	14.0 %	18.1 %	18.1 %
Postemployment Health Care Benefits ****	0.0	0.0	0.0
Total Employer	14.0 %	18.1 %	18.1 %
Total Employee	10.0 %	12.0 %	13.0 %

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

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

*** This rate is also determined by OPERS' Board but is limited by the ORC to not more than 2 percent greater than the public safety rate.

**** These pension and employer health care rates are for the traditional and combined plans. The employer contribution rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

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

For 2020, the City's contractually required contribution was \$117,423 for the traditional plan, \$13,346 for the combined plan, and \$4,003 for the member-directed plan. Of these amounts, \$1,533 is reported as an intergovernmental payable for the traditional plan, \$174 for the combined plan, and \$52 for the member-directed plan.

Plan Description - Ohio Police and Fire Pension Fund (OPF)

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

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

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

For members hired after July 1, 2013, the minimum retirement age is fifty-two for normal service retirement with at least twenty-five years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is forty-eight for normal service retirement with at least twenty-five 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 twenty years of service credit, 2 percent for each of the next five years of service credit, and 1.5 percent for each year of service credit in excess of twenty-five years. The maximum pension of 72 percent of the allowable average annual salary is paid after thirty-three years of service credit. (See the OPF Comprehensive Annual Financial Report referenced above for additional information including requirements for deferred retirement option plan provisions and reduced and unreduced benefits.)

Under normal service retirement, retired members who are at least fifty-five years old and have been receiving OPF benefits for at least one year may be eligible for a cost of living allowance adjustment. The age fifty-five 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 fifteen years of service credit on July 1, 2013, will receive a COLA equal to either 3 percent or the percentage increase, if any, in the Consumer Price Index over the twelve month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least fifteen years of service credit as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

Funding Policy - The 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 %
Postemployment Health Care Benefits	.50	.50
Total Employer	19.50 %	24.00 %
Total Employee	12.25 %	12.25 %

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

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

The City's contractually required contribution was \$160,147 for 2020. Of this amount, \$4,158 is reported as an intergovernmental payable.

Pension Liability (Asset) , Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension

The net pension liability (asset) for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OPF'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 (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Proportion of the Net Pension Liability/Asset				
Current Measurement Date	0.00560800%	0.02087100%	0.03057160%	
Prior Measurement Date	0.00599000%	0.02232500%	0.03615700%	
Change in Proportionate Share	<u>0.00038200%</u>	<u>0.00145400%</u>	<u>0.00558540%</u>	
Proportionate Share				
Net Pension Liability	\$1,108,459	\$0	\$2,059,466	\$3,167,925
Net Pension Asset	\$0	\$43,520	\$0	\$43,520
Pension Expense	\$136,689	\$5,127	\$207,327	\$349,143

Pension expense for the member-directed defined contribution plan was \$4,003 for 2020. The aggregate pension expense for all pension plans was \$353,146 for 2020.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources.

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Deferred Outflows of Resources				
Difference Between Expected and Actual Experience	\$0	\$0	\$77,957	\$77,957
Changes of Assumptions	59,204	4,487	50,555	114,246
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	0	1,688	52,272	53,960
City Contributions Subsequent to the Measurement Date	117,423	13,346	160,147	290,916
Total Deferred Outflows of Resources	<u>\$176,627</u>	<u>\$19,521</u>	<u>\$340,931</u>	<u>\$537,079</u>
Deferred Inflows of Resources				
Difference Between Expected and Actual Experience	\$14,014	\$10,217	\$106,215	\$130,446
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	221,113	5,645	99,489	326,247
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	50,435	0	374,067	424,502
Total Deferred Inflows of Resources	<u>\$285,562</u>	<u>\$15,862</u>	<u>\$579,771</u>	<u>\$881,195</u>

\$290,916 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 or increase in the net pension asset in 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Year Ending December 31,				
2021	(\$58,333)	(\$2,554)	(\$76,985)	(\$137,872)
2022	(89,384)	(2,447)	(75,563)	(167,394)
2023	9,156	(875)	(48,190)	(39,909)
2024	(87,797)	(2,941)	(163,036)	(253,774)
2025	0	(372)	(35,213)	(35,585)
Thereafter	0	(498)	0	(498)
Total	<u>(\$226,358)</u>	<u>(\$9,687)</u>	<u>(\$398,987)</u>	<u>(\$635,032)</u>

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (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 actuarial assumptions applied to all periods included in the measurement in accordance with GASB Statement No. 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>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA		
Pre-January 7, 2013	3 percent simple	3 percent simple
Post-January 7, 2013	1.4 percent simple through 2020, then 2.15 percent simple	1.4 percent simple through 2020, then 2.15 percent simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	individual entry age	individual entry age

In October 2019, the OPERS Board adopted a change in COLA for post-January 7, 2013, retirees changing it from 3 percent simple through 2018 then 2.15 percent simple to 1.4 percent simple through 2020 then 2.15 percent simple.

Preretirement mortality rates were 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. Postretirement mortality rates were 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. Postretirement mortality rates for disabled retirees were 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 were determined by applying the MP-2015 Mortality Improvement Scale to all of the above described tables.

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

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

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 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. Each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, is summarized in the following table.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
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	100.00 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.2 percent for the traditional and the combined plans. 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 for all three plans was applied to all periods of projected benefit payments to determine the total pension liability.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

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

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
City's Proportionate Share of the Net Pension Liability (Asset)			
OPERS Traditional Plan	\$1,828,208	\$1,108,459	\$461,426
OPERS Combined Plan	(\$26,297)	(\$43,520)	(\$55,934)

Actuarial Assumptions - OPF

OPF'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 OPF's actuaries in accordance with GASB Statement No. 67 as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modification 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 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.

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	entry age normal
Investment Rate of Return	8 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum compounded annually consisting of an inflation rate of 2.75 percent plus productivity increase rate of .5 percent
Cost of Living Adjustments	3 percent simple; 2.2 percent simple for increases based on lesser of the increase in CPI and 3 percent

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

Mortality for nondisabled participants was based on the RP-2014 Total Employee and Healthy Annuitant Mortality Table 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 were 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 was based on the RP-2014 Disabled Mortality Table 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 expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2019, are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Cash and Cash Equivalents	0.00 %	1.00 %
Domestic Equities	16.00	5.40
Non-U.S. Equities	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income*	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation Linked Bonds*	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
Total	120.00 %	

Note: assumptions are geometric

* levered 2x

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

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

Discount Rate - The total pension liability was calculated using the discount rate of 8 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 of 8 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and, to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 8 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 percent) or one percentage point higher (9 percent) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
City's Proportionate Share of the Net Pension Liability	\$2,854,349	\$2,059,466	\$1,394,626

NOTE 13 - DEFINED BENEFIT OPEB PLANS

See Note 12 for a description of the net OPEB liability.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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 postemployment 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 and combined pension 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.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 13 - DEFINED BENEFIT OPEB PLANS (continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined pension plans must have twenty or more years of qualifying Ohio service credit and a minimum age of sixty or generally thirty 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 postemployment benefit (OPEB) as described in GASB Statement No. 75. (See the OPERS Comprehensive Annual Financial Report referenced below for additional information.)

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

Disclosures for the health care plan are presented separately in the OPERS financial report which 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.

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 the 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 and combined plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed 14 percent of earnable salary and public safety and law enforcement employers contributed 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 of Trustees determines the portion of the employer contribution rate that will be set aside to fund the health care plans. For 2020, OPERS did not allocate any employer contributions to health care for members in the traditional and combined plans.

The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants of the member-directed plan was 4 percent for 2020.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,601 for 2020. Of this amount, \$21 is reported as an intergovernmental payable.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 13 - DEFINED BENEFIT OPEB PLANS (continued)

Plan Description - Ohio Police and Fire Pension Fund (OPF)

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing multiple-employer defined postemployment 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, OPF implemented a new model for health care. Under this model, OPF provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OPF 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 OPF. Even if an OPF 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 OPF meets the definition of an other postemployment benefit (OPEB) as described in GASB Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF 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.

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as a percentage of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, 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 contribution for retiree health care benefits. For 2020, the portion of the employer contribution allocated to health care was .5 percent of covered payroll. The amount of the employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

The OPF 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 OPF was \$4,117 for 2020. Of this amount, \$102 is reported as an intergovernmental payable.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 13 - DEFINED BENEFIT OPEB PLANS (continued)

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

The net OPEB liability and the 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. OPF'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.

	OPERS	OPF	Total
Proportion of the Net OPEB Liability			
Current Measurement Date	0.00602400%	0.03057160%	
Prior Measurement Date	0.00631000%	0.03615700%	
Change in Proportionate Share	<u>0.00028600%</u>	<u>0.00558540%</u>	
Proportionate Share of the Net OPEB Liability	\$832,070	\$301,978	\$1,134,048
OPEB Expense	\$70,960	\$10,620	\$81,580

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

	OPERS	OPF	Total
Deferred Outflows of Resources			
Difference Between Expected and Actual Experience	\$22	\$0	\$22
Changes of Assumptions	131,708	176,548	308,256
City Contributions Subsequent to the Measurement Date	1,601	4,117	5,718
Total Deferred Outflows of Resources	<u>\$133,331</u>	<u>\$180,665</u>	<u>\$313,996</u>
Deferred Inflows of Resources			
Difference Between Expected and Actual Experience	\$76,097	\$32,475	\$108,572
Changes of Assumptions	0	64,356	64,356
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	42,369	13,896	56,265
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	23,192	107,475	130,667
Total Deferred Inflows of Resources	<u>\$141,658</u>	<u>\$218,202</u>	<u>\$359,860</u>

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 13 - DEFINED BENEFIT OPEB PLANS (continued)

\$5,718 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 as OPEB expense as follows.

Year Ending December 31,	OPERS	OPF	Total
2021	\$6,996	(\$8,358)	(\$1,362)
2022	1,146	(8,358)	(7,212)
2023	33	(5,507)	(5,474)
2024	(18,103)	(10,001)	(28,104)
2025	0	(7,537)	(7,537)
Thereafter	0	(1,893)	(1,893)
Total	(\$9,928)	(\$41,654)	(\$51,582)

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 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 Statement No. 74.

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate	
Current Measurement Date	3.16 percent
Prior Measurement Date	3.96 percent
Investment Rate of Return	6 percent
Municipal Bond Rate	
Current Measurement Date	2.75 percent
Prior Measurement Date	3.31 percent
Health Care Cost Trend Rate	
Current Measurement Date	10 percent initial
	3.50 percent ultimate in 2030
Prior Measurement Date	7.25 percent initial
	3.25 percent ultimate in 2029
Actuarial Cost Method	individual entry age

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 13 - DEFINED BENEFIT OPEB PLANS (continued)

Preretirement mortality rates were 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. Postretirement mortality rates were 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. Postretirement mortality rates for disabled retirees were 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 were 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 assets for health care expenses for the traditional plan, the combined plan, and the member-directed plan eligible members. Within the Health Care portfolio, if any contributions are made into the plan, contributions 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 19.7 percent for 2019.

The allocation of investment assets with the Health Care 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 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. Each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2019, is summarized in the following table.

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

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 13 - DEFINED BENEFIT OPEB PLANS (continued)

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 twenty year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the expected rate of return on the health care investment portfolio of 6 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on those 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 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 - 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 (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
City's Proportionate Share of the Net OPEB Liability	\$1,088,898	\$832,070	\$626,436

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 assumed trend rates and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1 percent lower or 1 percent higher than the current rate.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 13 - DEFINED BENEFIT OPEB PLANS (continued)

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 10.5 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 3.5 percent in the most recent valuation.

	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rate Assumption</u>	<u>1% Increase</u>
City's Proportionate Share of the Net OPEB Liability	\$807,517	\$832,070	\$856,312

Changes Between the Measurement Date and the Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in an effort 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 - OPF

OPF'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 OPF'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 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 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 effect 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 contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 13 - DEFINED BENEFIT OPEB PLANS (continued)

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

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	entry age normal
Investment Rate of Return	8 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Single Discount Rate	
Current Measurement Date	3.56 percent
Prior Measurement Date	4.66 percent
Cost of Living Adjustments	3 percent simple; 2.2 percent simple for increases based on lesser of the increase in CPI and 3 percent

Mortality for nondisabled participants was based on the RP-2014 Total Employee and Healthy Annuitant Mortality Table 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 were 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 was based on the RP-2014 Disabled Mortality Table 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 OPF health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 13 - DEFINED BENEFIT OPEB PLANS (continued)

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 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 of 8 percent. Based on those assumptions, the plan'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 Twenty 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 all 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 (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
City's Proportionate Share of the Net OPEB Liability	\$374,433	\$301,978	\$241,773

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 14 - COMPENSATED ABSENCES

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

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

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

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 15 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2020, were as follows:

	Interest Rate	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020
<u>Governmental Activities</u>					
General Obligation Bond					
Anticipation Notes from Direct Placement					
2019 Various Purpose	2.5%	\$135,000	\$0	\$135,000	\$0
2020 Various Purpose	1.0	0	50,000	0	50,000
Total Bond Anticipation Notes		<u>\$135,000</u>	<u>\$50,000</u>	<u>\$135,000</u>	<u>\$50,000</u>
<u>Business-Type Activities</u>					
General Obligation Bond					
Anticipation Notes from Direct Placement					
2019 Water Improvements	2.5%	\$1,507,000	\$0	\$1,507,000	\$0
2020 Water Improvements	1.0	0	1,531,000	0	1,531,000
2019 Wastewater Improvements	2.5	34,000	0	34,000	0
2020 Wastewater Improvements	1.0	0	80,000	0	80,000
Total Bond Anticipation Notes		<u>\$1,541,000</u>	<u>\$1,611,000</u>	<u>\$1,541,000</u>	<u>\$1,611,000</u>

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

The bond anticipation notes issued through direct placement, in the amount of \$50,000, were issued on July 21, 2020, to partially retire notes previously issued in 2019 for various purposes. The notes have an interest rate of 1 percent and mature on July 21, 2020. The notes will be paid from the Various Improvements capital projects fund. As of December 31, 2020, all proceeds were spent.

The bond anticipation notes in the Water enterprise fund issued through a direct placement, in the amount of \$1,531,000, were issued on July 21, 2020, to retire notes previously issued to improve water lines as well as proceeds for water meter system improvements. The notes have an interest rate of 1 percent and mature on July 21, 2021. As of December 31, 2020, \$80,000 of the proceeds have not been capitalized and, of this amount, \$42,253 has not been spent.

The bond anticipation notes in the Sewer enterprise fund issued through a direct placement, in the amount of \$80,000, were issued on July 21, 2020, for sewer meter system improvements. The notes have an interest rate of 1 percent and mature on July 21, 2021. As of December 31, 2020, \$80,000 of the proceeds have not been capitalized and, of this amount, \$42,253 has not been spent.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 16 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2020, was as follows:

	Interest Rate	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Due Within One Year
<u>Governmental Activities</u>						
Bond Anticipation Notes from Direct Placement						
2019 Various Purpose	2.50%	\$50,000	\$0	\$50,000	\$0	\$0
General Obligation Bonds						
2012 Various Purpose Refunding (Original Amount \$2,545,000)	2.0	1,510,000	0	145,000	1,365,000	145,000
OPWC Loans from Direct Borrowings						
2008 OPWC Loans Payable (Original Amount \$246,242)	0	104,653	0	6,156	98,497	12,312
Other Long-Term Obligations						
Net Pension Liability						
Ohio Public Employees Retirement System		1,098,012	0	366,432	731,580	0
Ohio Police and Fire Pension		2,951,365	0	891,899	2,059,466	0
Total Net Pension Liability		4,049,377	0	1,258,331	2,791,046	0
Net OPEB Liability						
Ohio Public Employees Retirement System		550,616	0	1,450	549,166	0
Ohio Police and Fire Pension		329,266	0	27,288	301,978	0
Total Net OPEB Liability		879,882	0	28,738	851,144	0
Capital Leases Payable		29,602	0	7,401	22,201	7,400
Compensated Absences Payable		139,452	19,299	5,834	152,917	2,997
Total Other Long-Term Obligations		5,098,313	19,299	1,300,304	3,817,308	10,397
Total Governmental Activities		\$6,762,966	\$19,299	\$1,501,460	\$5,280,805	\$167,709

	Interest Rate	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Due Within One Year
<u>Business-Type Activities</u>						
General Obligation Bonds						
2015 Various Purpose (Original Amount \$3,300,000)	3 - 3.875%	\$2,905,000	\$0	\$2,905,000	\$0	\$0
2020 Various Purpose (Original Amount \$3,005,000)	1.25 - 1.85%	0	3,005,000	130,000	2,875,000	150,000
Total General Obligation Bonds		2,905,000	3,005,000	3,035,000	2,875,000	150,000
OPWC Loans from Direct Borrowings						
2004 OPWC Loans Payable (Original Amount \$57,585)	0	14,397	0	1,440	12,957	2,879
2006 OPWC Loans Payable (Original Amount \$129,202)	.01	51,493	0	3,314	48,179	6,679
2009 OPWC Loans Payable (Original Amount \$127,307)	0	60,475	0	3,183	57,292	6,273

(continued)

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Due Within One Year
<u>Business-Type Activities</u>						
OPWC Loans from Direct Borrowings (continued)						
2010 OPWC Loans Payable (Original Amount \$152,550)	0%	\$83,901	\$0	\$3,814	\$80,087	\$7,627
2011 OPWC Loans Payable (Original Amount \$125,456)	0	78,412	0	3,136	75,276	6,366
2015 OPWC Loans Payable (Original Amount \$143,100)	0	125,212	0	3,578	121,634	7,155
2018 OPWC Loans Payable (Original Amount \$53,010)	0	53,010	0	1,326	51,684	2,650
Total OPWC Loans		466,900	0	19,791	447,109	39,629
OWDA Loans from Direct Borrowings						
2010 OWDA Loans Payable (Original Amount \$172,380)	2.75	28,823	0	2,277	26,546	2,340
Other Long-Term Obligations						
Net Pension Liability						
Ohio Public Employees Retirement System		542,528	0	165,649	376,879	0
Net OPEB Liability						
Ohio Public Employees Retirement System		272,060	10,844	0	282,904	0
Due to Lucas County		2,803,425	0	178,302	2,625,123	199,383
Compensated Absences Payable		36,965	10,537	1,248	46,254	620
Total Other Long-Term Obligations		3,654,978	21,381	345,199	3,331,160	200,003
Total Business-Type Activities		\$7,055,701	\$3,026,381	\$3,402,267	\$6,679,815	\$391,972

Bond Anticipation Notes

On July 23, 2019, the City issued bond anticipation notes through a direct placement, in the amount of \$50,000 to partially retire notes previously issued in 2018 for various purposes. The notes had an interest rate of 2.5 percent and matured on July 23, 2020.

General Obligation Bonds

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

At December 31, 2020, \$700,000 of the refunded bonds was still outstanding.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

The bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2021	\$145,000

The remaining principal, in the amount of \$160,000, will be paid at stated maturity on December 1, 2022.

The bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2023	\$165,000

The remaining principal, in the amount of \$170,000, will be paid at stated maturity on December 1, 2024.

The bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2025	\$170,000

The remaining principal, in the amount of \$180,000, will be paid at stated maturity on December 1, 2026.

The bonds maturing on December 1, 2031, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2027	\$55,000
2028	55,000
2029	55,000
2030	60,000

The remaining principal, in the amount of \$60,000, will be paid at stated maturity on December 1, 2031.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

The bonds maturing on December 1, 2035, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2032	\$15,000
2033	15,000
2034	15,000

The remaining principal, in the amount of \$15,000, will be paid at stated maturity on December 1, 2035.

The serial bonds maturing on or after December 1, 2022, are subject to optional redemption prior to maturity, either in whole or in part, in inverse order of maturity, in integral multiples of \$5,000, on any date on or after December 31, 2022, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

On July 28, 2015, the City issued unvoted general obligation bonds, in the amount of \$3,300,000; \$820,000 to retire bond anticipation notes previously issued and \$2,480,000 to construct a waterline to connect to the City of Bowling Green. The bond issue includes serial and term bonds. The bonds were issued for a twenty-six year period, with final maturity in 2041. During 2020, the remaining bonds were refunded.

On July 30, 2020, the City issued unvoted general obligation bonds, in the amount of \$3,005,000, to currently refund bonds previously issued in 2015 to construct a waterline to connect to the City of Bowling Green. The bonds were issued for a twenty-one year period, with final maturity in 2041. The bonds are being retired through the Water and Sewer enterprise funds.

The refunding resulted in the decrease in aggregate debt service payments by \$594,399 and to obtain an economic gain (difference between present values of the old and new debt service payments) of \$556,936.

At December 31, 2020, the refunded bonds were fully retired.

OPWC Loans Payable

The City has entered into loan agreements from direct borrowings with the Ohio Public Works Commission for various street related and water and sewer related projects. With the exception of the Dutch Road lift station, the loans are interest free. The loans will be paid from resources of the Various Improvements capital projects fund and the Water and Sewer enterprise funds.

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

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

OWDA Loans Payable

The City has entered into loan agreements from direct borrowings with the Ohio Water Development Authority for construction of a water line and a sanitary sewer project. The loans will be paid from resources of the Water and Sewer enterprise funds.

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

The OPWC and OWDA loans for water and sewer projects are to be paid from the gross revenues of the Water and Sewer enterprise funds after provisions for reasonable operating and maintenance expenses. Annual principal and interest payments on the loans are expected to require less than 100 percent of these net revenues in future years. The total principal and interest remaining to be paid on the OPWC and OWDA loans are \$448,938 and \$30,544, respectively. Principal and interest paid for the current year and net revenues were \$11,223 and \$509,049 for the Water enterprise fund and \$11,879 and \$167,775 for the Sewer enterprise fund.

Net Pension/OPEB Liability

There is no repayment schedule for the net pension/OPEB liability; however, employer pension contributions are made from the General Fund, Street, Maintenance special revenue fund, and Water and Sewer enterprise funds. For additional information related to the net pension/OPEB liability, see Notes 13 and 14 to the basic financial statements.

Due to Lucas County

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

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

Capital Leases Payable

Capital lease obligations will be paid from the fund that maintains custody of the related asset.

Compensated Absences

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, the Street Maintenance special revenue fund, and the Water and Sewer enterprise funds.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

The City's legal debt margin was \$19,616,284 at December 31, 2020.

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2020, were as follows:

Year	General Obligation Bonds		From Direct Borrowings
	Principal	Interest	OPWC Loans Principal
2021	\$145,000	\$43,863	\$12,312
2022	160,000	39,512	12,312
2023	165,000	34,713	12,312
2024	170,000	29,762	12,312
2025	170,000	24,663	12,313
2026-2030	405,000	61,522	36,936
2031-2035	150,000	12,675	0
Total	<u>\$1,365,000</u>	<u>\$246,710</u>	<u>\$98,497</u>

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2020, from the business-type activities were as follows:

Year	General Obligation Bonds	
	Principal	Interest
2021	\$150,000	\$39,913
2022	150,000	38,037
2023	150,000	36,163
2024	150,000	34,288
2025	150,000	32,413
2026-2030	800,000	132,935
2031-2035	640,000	84,435
2036-2040	565,000	41,380
2041	120,000	2,220
Total	<u>\$2,875,000</u>	<u>441,784</u>

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

Year	From Direct Borrowings		From Direct Borrowings		Due to
	OPWC Loans		OWDA Loans		Lucas County
	Principal	Interest	Principal	Interest	Principal
2021	\$39,629	\$465	\$2,340	\$714	\$199,383
2022	39,698	398	2,405	649	182,719
2023	39,763	331	2,472	583	188,161
2024	39,834	263	2,540	514	193,791
2025	38,461	194	2,611	444	199,620
2026-2030	158,103	178	14,178	1,094	917,689
2031-2035	65,385	0	0	0	446,418
2036-2040	26,236	0	0	0	297,342
Total	<u>\$447,109</u>	<u>\$1,829</u>	<u>\$26,546</u>	<u>\$3,998</u>	<u>\$2,625,123</u>

NOTE 17 - CAPITAL LEASES - LESSEE DISCLOSURE

The City has entered into a capitalized lease for equipment. Capital lease payments are reflected as program expenditures on a budgetary perspective and as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2020 were \$7,401.

	Governmental Activities
Equipment	\$61,602
Less Accumulated Depreciation	(12,320)
	<u>\$49,282</u>

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2020.

Fiscal Year	Principal
2021	\$7,400
2022	7,401
2023	7,400
	<u>\$22,201</u>

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 18 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

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

Fund Balance	General	Various Improvements	Other Governmental	Total Governmental Funds
Nonspendable for:				
Prepaid Items	\$22,319	\$0	\$5,253	\$27,572
Materials and Supplies				
Inventory	10,695	0	33,909	44,604
Total Nonspendable	33,014	0	39,162	72,176
Restricted for:				
Permanent Improvements	0	1,897,087	0	1,897,087
Police Department Operations	0	0	45,302	45,302
Street Construction and Maintenance	0	0	483,868	483,868
Total Restricted	0	1,897,087	529,170	2,426,257
Committed for:				
Parks and Green Space Improvement	0	0	261,744	261,744
Future Severance Payments	60,752	0	0	60,752
Total Committed	60,752	0	261,744	322,496
Assigned for				
Projected Budget Shortage	124,780	0	0	124,780
Unpaid Obligations	29,697	0	0	29,697
Total Assigned	154,477	0	0	154,477
Unassigned	3,289,279	0	0	3,289,279
Total Fund Balance	\$3,537,522	\$1,897,087	\$830,076	\$6,264,685

NOTE 19 - INTERNAL BALANCES

The City uses an internal proportionate share to allocate its net pension/OPEB liability and corresponding deferred outflows/inflows of resources and pension/OPEB expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension/OPEB deferred outflows/inflows of resources in the governmental activities and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the government-wide statement of net position thus allowing the total column to present the change in proportionate share for the City as a whole.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 19 - INTERNAL BALANCES (continued)

Eliminations made in the business-type activities column related to pension include deferred outflows of resources and deferred inflows of resources, in the amount of \$32.

Eliminations made in the business-type activities column related to OPEB include deferred outflows of resources and deferred inflows of resources, in the amount of \$1,190.

NOTE 20 - INSURANCE POOL

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

NOTE 21 - JOINTLY GOVERNED ORGANIZATION

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for administering income tax laws of the members and for collecting income taxes on behalf of each member. RITA currently has approximately three hundred fifty members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operations including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the council. For 2020, the City's total cost for income tax collection services was \$109,961.

NOTE 23 - CONTINGENT LIABILITIES

A. Litigation

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

B. Federal and State Grants

For the period January 1, 2020, to December 31, 2020, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

City of Waterville
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020
(continued)

NOTE 24 - 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 will impact subsequent periods for 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 recognized in subsequent periods, if any, cannot be determined. In addition, the impact of 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, \$136,523 was returned to the granting agency. The amounts returned to the granting agency are reflected as a reduction of intergovernmental revenue in the CARES Act special revenue fund.

City of Waterville
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional
Last Seven Years (1)

	2020	2019	2018
City's Proportion of the Net Pension Liability	0.00560800%	0.00599000%	0.00599200%
City's Proportionate Share of the Net Pension Liability	\$1,108,459	\$1,640,540	\$940,028
City's Covered Payroll	\$806,221	\$809,064	\$791,808
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	137.49%	202.77%	118.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date which is the prior year end.

See Accountant's Compilation Report

2017	2016	2015	2014
0.00627900%	0.00615500%	0.00612200%	0.00612200%
\$1,425,856	\$1,066,124	\$738,382	\$721,704
\$811,758	\$766,114	\$750,617	\$887,666
175.65%	139.16%	98.37%	81.30%
77.25%	81.08%	86.45%	86.36%

City of Waterville
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Asset
Ohio Public Employees Retirement System - Combined
Last Three Years (1)

	2020	2019	2018
City's Proportion of the Net Pension Asset	0.02087100%	0.02232500%	0.02260100%
City's Proportionate Share of the Net Pension Asset	\$43,520	\$24,964	\$30,766
City's Covered Payroll	\$92,907	\$95,486	\$92,562
City's Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll	46.84%	26.14%	33.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	145.28%	126.64%	137.28%

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

Amounts presented as of the City's measurement date which is the prior year end.

See Accountant's Compilation Report

City of Waterville
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System
Last Four Years (1)

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.00602400%	0.00631000%	0.00633000%	0.00660000%
City's Proportionate Share of the Net OPEB Liability	\$832,070	\$822,676	\$687,391	\$666,622
City's Covered Payroll	\$910,053	\$915,250	\$896,045	\$912,650
City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	91.43%	89.89%	76.71%	73.04%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date which is the prior year end.

See Accountant's Compilation Report

City of Waterville
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund
Last Seven Years (1)

	2020	2019	2018
City's Proportion of the Net Pension Liability	0.03057160%	0.03615700%	0.03752700%
City's Proportionate Share of the Net Pension Liability	\$2,059,466	\$2,951,365	\$2,303,202
City's Covered Payroll	\$786,622	\$925,662	\$877,699
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	261.81%	318.84%	262.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.89%	63.07%	70.91%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date which is the prior year end.

See Accountant's Compilation Report

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

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City of Waterville
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability
Ohio Police and Fire Pension Fund
Last Four Years (1)

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.03057160%	0.03615700%	0.03752700%	0.03828700%
City's Proportionate Share of the Net OPEB Liability	\$301,978	\$329,266	\$2,126,227	\$1,817,398
City's Covered Payroll	\$786,622	\$925,662	\$877,699	\$780,794
City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	38.39%	35.57%	242.25%	232.76%
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. An additional column will be added each year.

Amounts presented as of the City's measurement date which is the prior year end.

See Accountant's Compilation Report

City of Waterville
Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System
Last Eight Years (1)

	2020	2019	2018	2017
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	\$117,423	\$112,871	\$113,269	\$102,935
Contributions in Relation to the Contractually Required Contribution	<u>(117,423)</u>	<u>(112,871)</u>	<u>(113,269)</u>	<u>(102,935)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$838,736	\$806,221	\$809,064	\$791,808
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%
Net Pension Liability - Combined Plan				
Contractually Required Contribution	\$13,346	\$13,007	\$13,368	\$12,033
Contributions in Relation to the Contractually Required Contribution	<u>(13,346)</u>	<u>(13,007)</u>	<u>(13,368)</u>	<u>(12,033)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's Covered Payroll	\$95,329	\$92,907	\$95,486	\$92,562
Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>
Net Pension Liability - OPEB Plan (2)				
Contractually Required Contribution	\$1,601	\$437	\$428	\$9,311
Contributions in Relation to the Contractually Required Contribution	<u>(1,601)</u>	<u>(437)</u>	<u>(428)</u>	<u>(9,311)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's Covered Payroll (3)	\$974,090	\$910,053	\$915,250	\$896,045
OPEB Contributions as a Percentage of Covered Payroll	<u>0.16%</u>	<u>0.05%</u>	<u>0.05%</u>	<u>1.04%</u>

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added each year.

(2) 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.

(3) The OPEB plan includes the members from the traditional plan, the combined plan, and the member-directed plan. The member-directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See Accountant's Compilation Report

<u>2016</u>	<u>2015</u>	<u>2015</u>	<u>2014</u>
\$97,411	\$91,934	\$90,074	\$115,397
<u>(97,411)</u>	<u>(91,934)</u>	<u>(90,074)</u>	<u>(115,397)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$811,758	\$766,114	\$750,617	\$887,666
12.00%	12.00%	12.00%	13.00%
\$10,580	\$10,035	\$9,540	\$9,738
<u>(10,580)</u>	<u>(10,035)</u>	<u>(9,540)</u>	<u>(9,738)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$88,167	\$83,625	\$79,500	\$74,908
<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>
\$18,508			
<u>(18,508)</u>			
<u>\$0</u>			
\$912,650			
<u>2.03%</u>			

City of Waterville
Required Supplementary Information
Schedule of the City's Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	2020	2019	2018	2017
Net Pension Liability				
Contractually Required Contribution	\$160,147	\$152,770	\$182,410	\$172,754
Contributions in Relation to the Contractually Required Contribution	<u>(160,147)</u>	<u>(152,770)</u>	<u>(182,410)</u>	<u>(172,754)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$823,373	\$786,622	\$925,662	\$877,699
Contributions as a Percentage of Covered Payroll	<u>19.45%</u>	<u>19.42%</u>	<u>19.71%</u>	<u>19.68%</u>
Net OPEB Liability				
Contractually Required Contribution	\$4,117	\$3,933	\$4,628	\$4,389
Contributions in Relation to the Contractually Required Contribution	<u>(4,117)</u>	<u>(3,933)</u>	<u>(4,628)</u>	<u>(4,389)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Contributions as a Percentage of Covered Payroll	<u>19.95%</u>	<u>19.92%</u>	<u>20.21%</u>	<u>20.18%</u>

(1) The City's Covered payroll is the same for pension and OPEB

See Accountant's Compilation Report

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$153,560	\$156,010	\$144,909	\$123,839	\$92,891	\$96,997
<u>(153,560)</u>	<u>(156,010)</u>	<u>(144,909)</u>	<u>(123,839)</u>	<u>(92,891)</u>	<u>(96,997)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$780,794	\$798,325	\$749,103	\$758,514	\$707,045	\$739,206
<u>19.67%</u>	<u>19.54%</u>	<u>19.34%</u>	<u>16.33%</u>	<u>13.14%</u>	<u>13.12%</u>
\$3,904	\$3,992	\$3,746	\$27,433	\$47,725	\$49,896
<u>(3,904)</u>	<u>(3,992)</u>	<u>(3,746)</u>	<u>(27,433)</u>	<u>(47,725)</u>	<u>(49,896)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>3.62%</u>	<u>6.75%</u>	<u>6.75%</u>
<u>20.17%</u>	<u>20.04%</u>	<u>19.84%</u>	<u>19.95%</u>	<u>19.89%</u>	<u>19.87%</u>

City of Waterville
Notes to Required Supplementary Information
For the Year Ended December 31, 2020

Changes in Assumptions - OPERS Pension - Traditional Plan

Amounts reported beginning in 2019 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in prior years are presented below.

	2019	2018 and 2017	2016 and Prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA			
Pre-January 7, 2013	3 percent simple	3 percent simple	3 percent simple
Post-January 7, 2013	see below	see below	see below
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	individual entry age	individual entry age	individual entry age

The assumptions related to COLA and Ad Hoc COLA for post-January 7, 2013, retirees are as follows.

2020	1.4 percent simple through 2020, then 2.15 percent simple
2017 through 2019	3 percent simple through 2019, then 2.15 percent simple
2016 and prior	3 percent simple through 2018, then 2.8 percent simple

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant Mortality Table. For males, healthy annuitant mortality tables were used adjusted for mortality improvement back to the observation period base year of 2006 and then established the base year as 2015. For females, healthy annuitant mortality tables were used adjusted for mortality improvement back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality Table adjusted for mortality improvement back to the observation period base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables were determined by applying the MP-2015 Mortality Improvement Scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected twenty years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 Mortality Table with no projections. For males, 120 percent of the disabled female mortality rates were used, set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Changes in Assumptions - OPERS Pension - Combined Plan

For 2020, the combined plan had the same change in COLA or Ad Hoc COLA for post-January 7, 2013, retirees as the traditional plan. For 2019, the investment rate of return changed from 7.5 percent to 7.2 percent.

City of Waterville
Notes to Required Supplementary Information
For the Year Ended December 31, 2020

Changes in Assumptions - OPF Pension

Amounts reported beginning in 2018 incorporate changes in assumptions used by OPF in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in 2017 and prior are presented below.

	<u>Beginning in 2018</u>	<u>2017 and Prior</u>
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	individual entry age	individual entry age
Investment Rate of Return	8 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	inflation rate of 2.75 percent plus productivity increase rate of .5 percent	inflation rate of 3.25 percent plus productivity increase rate of .5 percent
Cost of Living Adjustments	3 percent simple; 2.2 percent simple for increase based on the lesser of the increase in CPI and 3 percent	3 percent simple; 2.6 percent simple for increase based on the lesser of the increase in CPI and 3 percent

Amounts reported beginning in 2018 use valuation, mortality for nondisabled participants was based on the RP-2014 Total Employee and Healthy Annuitant Mortality Table rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent 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

Amounts reported beginning in 2018 use valuation, mortality for disabled participants was based on the RP-2014 Disabled Mortality Table rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent Modified 2016 Improvement Scale.

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

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP-2000 Combined Table age adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis with a base year of 2009 using Mortality Improvement Scale AA.

City of Waterville
Notes to Required Supplementary Information
For the Year Ended December 31, 2020

Changes in Assumptions - OPERS OPEB

Investment Return Assumption	
Beginning in 2019	6 percent
2018	6.5 percent
Municipal Bond Rate	
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate	
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate	
2020	10 percent initial 3.5 percent ultimate in 2030
2019	10 percent initial 3.25 percent ultimate in 2029
2018	7.5 percent initial 3.25 percent ultimate in 2028

Changes in Assumptions - OPF OPEB

Single Discount Rate	
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

Changes in Benefit Terms - OPF OPEB

For 2019, OPF recognized a change in benefit terms. Under the new model, OPF provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This model replaced the self-insured health care plan used in prior years.