



**CITY OF UPPER SANDUSKY
WYANDOT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2022-2021

**CITY OF UPPER SANDUSKY
 WYANDOT COUNTY
 DECEMBER 31, 2022 AND 2021**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis For the Year Ended December 31, 2022	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position December 31, 2022	14
Statement of Activities For the Year Ended December 31, 2022	15
Fund Financial Statements:	
Balance Sheet Governmental Funds December 31, 2022	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities December 31, 2022	17
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2022	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2022	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) General Fund For the Year Ended December 31, 2022	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) Parks and Recreation Fund For the Year Ended December 31, 2022	21
Statement of Fund Net Position Proprietary Funds December 31, 2022	22
Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Year Ended December 31, 2022	23

**CITY OF UPPER SANDUSKY
 WYANDOT COUNTY
 DECEMBER 31, 2022 AND 2021**

**TABLE OF CONTENTS
 (Continued)**

TITLE	PAGE
Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2022	24
Statement of Fiduciary Net Position Fiduciary Funds December 31, 2022	25
Statement of Changes in Fiduciary Net Position Fiduciary Funds For the Year Ended December 31, 2022	26
Notes to the Basic Financial Statements For the Year Ended December 31, 2022	27
Required Supplementary Information:	
Schedule of the City’s Proportionate Share of the Net Pension Liability	76
Schedule of the City’s Contributions - Pension	78
Schedule of the City’s Proportionate Share of the Net OPEB Liability (Asset)	80
Schedule of the City’s Contributions – OPEB	82
Notes to the Required Supplementary Information For the Year Ended December 31, 2022	84
Management’s Discussion and Analysis For the Year Ended December 31, 2021	86
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position December 31, 2021	96
Statement of Activities For the Year Ended December 31, 2021	97
Fund Financial Statements:	
Balance Sheet Governmental Funds December 31, 2021	98
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities December 31, 2021	99

**CITY OF UPPER SANDUSKY
 WYANDOT COUNTY
 DECEMBER 31, 2022 AND 2021**

**TABLE OF CONTENTS
 (Continued)**

TITLE	PAGE
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2021	100
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2021	101
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) General Fund For the Year Ended December 31, 2021	102
Statement of Fund Net Position Proprietary Funds December 31, 2021	103
Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Year Ended December 31, 2021	104
Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2021	105
Statement of Fiduciary Net Position Fiduciary Funds December 31, 2021	106
Statement of Changes in Fiduciary Net Position Fiduciary Funds For the Year Ended December 31, 2021	107
Notes to the Basic Financial Statements For the Year Ended December 31, 2021	108
Required Supplementary Information:	
Schedule of the City’s Proportionate Share of the Net Pension Liability	154
Schedule of the City’s Contributions - Pension	156
Schedule of the City’s Proportionate Share of the Net OPEB Liability (Asset)	159
Schedule of the City’s Contributions – OPEB	160
Notes to the Required Supplementary Information For the Year Ended December 31, 2021	162

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY
DECEMBER 31, 2022 AND 2021**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	165
Schedule of Findings.....	167
Prepared by Management:	
Summary Schedule of Prior Audit Findings	168

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INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Upper Sandusky, Wyandot County, Ohio (City), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Upper Sandusky, Wyandot County, Ohio as of December 31, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Parks and Recreation funds in 2022, and for the General fund in 2021 for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

December 21, 2023

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City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
(Unaudited)

The discussion and analysis of the City of Upper Sandusky's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2022. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2022 are as follows:

- In total, net position increased \$435,735 from 2021 balances. Net position of governmental activities increased \$590,204. Net position of business-type activities decreased \$154,469.
- Total capital assets decreased \$1,489,531 from 2021 balances. Capital assets of governmental activities decreased \$610,596 and capital assets of business-type activities decreased \$878,935.

Using this Annual Financial Report

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

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2022 and how they affected the operations of the City as a whole.

Reporting the City of Upper Sandusky as a Whole

Statement of Net Position and the Statement of Activities

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. In the case of the City of Upper Sandusky, the general fund, parks and recreation fund and capital improvements fund are the most significant funds. Business-type funds consist of the water, sewer and sanitation funds.

A question typically asked about the City's finances "How did we do financially during 2022?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources and liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
(Unaudited)

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

In the Statement of Net Position and the Statement of Activities, the City is divided into two distinct kinds of activities:

- **Governmental Activities** - Most of the City's programs and services are reported here, including general government, security of persons and property, public health, community development, leisure time activities, basic utility service, and transportation.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer and sanitation funds are reported as business activities.

Reporting the City of Upper Sandusky's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund, the parks and recreation fund and the capital improvement fund.

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

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

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
(Unaudited)

The City of Upper Sandusky as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2022 compared to 2021:

Table 1
Net Position

	Governmental Activities			Business-Type Activities		
	2022	2021	Change	2022	Restated 2021	Change
Assets						
Current & Other Assets	\$ 7,326,423	\$ 5,838,669	\$ 1,487,754	\$ 3,390,929	\$ 4,015,673	\$ (624,744)
Net Pension/OPEB Asset	285,156	168,614	116,542	233,309	127,200	106,109
Capital Assets	15,128,334	15,738,930	(610,596)	62,259,055	63,137,990	(878,935)
<i>Total Assets</i>	<u>22,739,913</u>	<u>21,746,213</u>	<u>993,700</u>	<u>65,883,293</u>	<u>67,280,863</u>	<u>(1,397,570)</u>
Deferred Outflows of Resources						
Pension & OPEB	1,340,146	893,875	446,271	346,548	256,747	89,801
<i>Total Deferred Outflows of Resources</i>	<u>1,340,146</u>	<u>893,875</u>	<u>446,271</u>	<u>346,548</u>	<u>256,747</u>	<u>89,801</u>
Liabilities						
Current & Other Liabilities	2,307,104	741,748	1,565,356	340,627	182,315	158,312
Long-Term Liabilities:						
Due Within One Year	530,134	751,702	(221,568)	1,941,357	1,924,845	16,512
Due In More Than One Year:						
Net Pension Liability	3,086,447	3,853,434	(766,987)	687,819	1,124,412	(436,593)
Net OPEB Liability	394,014	367,249	26,765	-	-	-
Other Amounts	589,955	971,251	(381,296)	43,546,519	44,577,732	(1,031,213)
<i>Total Liabilities</i>	<u>6,907,654</u>	<u>6,685,384</u>	<u>222,270</u>	<u>46,516,322</u>	<u>47,809,304</u>	<u>(1,292,982)</u>
Deferred Inflows of Resources						
Property Taxes	320,000	305,000	15,000	-	-	-
Other	70,892	69,396	1,496	-	-	-
Pension & OPEB	2,422,838	1,811,837	611,001	1,101,528	961,846	139,682
<i>Total Deferred Inflows of Resources</i>	<u>2,813,730</u>	<u>2,186,233</u>	<u>627,497</u>	<u>1,101,528</u>	<u>961,846</u>	<u>139,682</u>
Net Investment in Capital Assets *	14,793,368	15,320,034	(526,666)	16,718,959	16,736,697	(17,738)
Restricted	2,079,831	1,869,814	210,017	-	-	-
Unrestricted (Deficit)	(2,514,524)	(3,421,377)	906,853	1,893,032	2,029,763	(136,731)
<i>Total Net Position</i>	<u>\$ 14,358,675</u>	<u>\$ 13,768,471</u>	<u>\$ 590,204</u>	<u>\$ 18,611,991</u>	<u>\$ 18,766,460</u>	<u>\$ (154,469)</u>

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

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2022 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. In a prior year, the City adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability(asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
(Unaudited)

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

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

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

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

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

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

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
(Unaudited)

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

Capital assets include land, buildings and improvements, machinery and equipment, vehicles, infrastructure and construction in progress. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

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

For governmental activities, current assets increased in governmental activities primarily due to cash in a segregated account for payment of claims. Current and other liabilities increased mainly as a result of increased claims payable from several large claims incurred near the end of 2022. The decrease in long-term liabilities can be attributed to a decrease in the net pension liability related to OPERS in addition to principal payments on long-term debt.

For business-type activities, current assets decreased as costs for water meters and wastewater improvements contributed to the decrease in cash. Capital assets decreased due to current year depreciation offsetting acquisitions.

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City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
(Unaudited)

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2022 and 2021.

Table 2
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2022	2021	Change	2022	2021	Change
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 1,005,946	\$ 1,105,246	\$ (99,300)	\$ 6,084,970	\$ 6,097,150	\$ (12,180)
Operating Grants	641,845	538,109	103,736	-	-	-
Capital Grants	-	-	-	249,998	-	249,998
<i>Total Program Revenues</i>	<u>1,647,791</u>	<u>1,643,355</u>	<u>4,436</u>	<u>6,334,968</u>	<u>6,097,150</u>	<u>237,818</u>
General Revenues						
Property Taxes	295,957	281,367	14,590	-	-	-
Income Taxes	3,731,491	3,387,354	344,137	-	-	-
Grants & Entitlements	314,506	301,779	12,727	-	-	-
Other Local Taxes	61,127	71,023	(9,896)	-	-	-
Payments in Lieu of Taxes	78,617	70,952	7,665	-	-	-
Miscellaneous	128,624	234,469	(105,845)	137,943	65,255	72,688
<i>Total General Revenues</i>	<u>4,610,322</u>	<u>4,346,944</u>	<u>263,378</u>	<u>137,943</u>	<u>65,255</u>	<u>72,688</u>
<i>Total Revenues</i>	<u>6,258,113</u>	<u>5,990,299</u>	<u>267,814</u>	<u>6,472,911</u>	<u>6,162,405</u>	<u>310,506</u>
Program Expenses						
General Government	1,863,722	1,299,844	563,878	-	-	-
Security of Persons and Property	2,496,766	2,420,647	76,119	-	-	-
Public Health	31,030	30,751	279	-	-	-
Leisure Time Services	575,850	500,256	75,594	-	-	-
Community Development	23,162	14,634	8,528	-	-	-
Basic Utility Service	196,143	199,847	(3,704)	-	-	-
Transportation	923,815	956,589	(32,774)	-	-	-
Interest and Fiscal Charges	46,162	82,192	(36,030)	-	-	-
Enterprise Operations:						
Water	-	-	-	2,785,188	2,771,538	13,650
Sewer	-	-	-	2,506,977	2,578,755	(71,778)
Sanitation	-	-	-	846,474	735,982	110,492
<i>Total Expenses</i>	<u>6,156,650</u>	<u>5,504,760</u>	<u>651,890</u>	<u>6,138,639</u>	<u>6,086,275</u>	<u>52,364</u>
Transfers	488,741	475,542	13,199	(488,741)	(475,542)	(13,199)
<i>Total General Revenues and Transfers</i>	<u>5,099,063</u>	<u>4,822,486</u>	<u>276,577</u>	<u>(350,798)</u>	<u>(410,287)</u>	<u>59,489</u>
<i>Change in Net Position</i>	590,204	961,081	(370,877)	(154,469)	(399,412)	244,943
<i>Net Position Beginning of Year</i>	13,768,471	12,807,390	961,081	18,766,460	19,417,020	(650,560)
<i>Restatement, See Note 2</i>	-	-	-	-	(251,148)	251,148
<i>Net Position End of Year</i>	<u>\$ 14,358,675</u>	<u>\$ 13,768,471</u>	<u>\$ 590,204</u>	<u>\$ 18,611,991</u>	<u>\$ 18,766,460</u>	<u>\$ (405,617)</u>

Governmental Activities

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

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

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
(Unaudited)

A city that is dependent upon municipal income taxes and property taxes that is hampered by a lack of revenue growth must regularly return to the voters to maintain a constant level of service. Municipal income taxes and property taxes made up most of the revenues for governmental activities in calendar year 2022.

Income taxes increased primarily due to the general improvement of the local economy as the City continues to recover from the impact of COVID-19.

The changes in pension and OPEB contribute to fluctuations in expenses.

Business-Type Activities

Business-type activities include water, sewer and sanitation operations. The revenues are generated primarily from charges for services. In 2022, charges for services of accounted for the majority of the business type revenues.

The City's Funds

Governmental Funds

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

The following table provides a summary of the City's fund balances by major fund for 2022 compared to 2021:

	Governmental Activities		
	Fund Balance 12/31/2022	Fund Balance 12/31/2021	Increase (Decrease)
General	\$ 813,941	\$ 1,238,190	\$ (424,249)
Parks and Recreation	372,811	303,752	69,059
Capital Improvements	555,302	463,597	91,705

The general fund is the chief operating fund of the City. The fund balance of the general fund decreased during the current fiscal year primarily due to expenditures exceeding revenues.

The fund balance of the parks and recreation fund increased based on revenues being sufficient to cover expenditures.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
(Unaudited)

The fund balance of the capital improvement fund increased based on timing of resources compared to expenditures for projects.

Proprietary Funds

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

The following table provides a summary of the City's unrestricted net position by major proprietary fund for 2022 compared to 2021:

	Business-Type Activities		
	Unrestricted Net Position 12/31/2022	Unrestricted Net Position 12/31/2021	Increase (Decrease)
Water	\$ 263,503	\$ 209,987	\$ 53,516
Sewer	1,740,766	1,714,607	26,159
Sanitation	(111,237)	105,169	(216,406)

Total change in net position for these funds was primarily due to fluctuations in net pension/OPEB liabilities. Other factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

General Fund Budgeting Highlights

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

During the course of 2022, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

Original Budget Compared to Final Budget During the year there was no need for any significant amendments to original estimated revenues. Original budgeted appropriations were increased for general government and security of persons and property as expenditures were higher than anticipated.

Final Budget Compared to Actual Results The most significant differences between estimated revenues and actual revenues were that income taxes were higher than estimated due to the timing of collections. There were no significant differences between the final budgeted appropriations and actual expenditures.

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

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities decreased in comparison with prior year-end as a result of depreciation exceeding the current year additions. Construction in progress increased due to the Finely and County Road 182 waterline replacement projects being paid from the American Rescue Plan Act fund.

The City's investment in capital assets for its business-type activities decreased in comparison with prior year-end as a result of depreciation exceeding the current year additions. Construction in progress increased primarily as a result of the Water Meter Replacement project in the City's water fund.

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

Debt

The City's governmental activities total debt decreased due to current year principal payments.

The City's business-type activities total debt decreased from prior year. Principal payments made during the year were slightly offset by OPWC and OWDA loans issued.

See Note 9 for additional details including information regarding the OWDA loan proceeds for water meter replacements.

Economic Factors

The City has seen a 6.3 percent increase in 2021 over 2020 in income tax revenue with a 10.2 percent increase in 2022 over 2021. As in prior years we still rely heavily on the income tax revenue and will find it necessary to keep expenditures no higher than the 2021 level but as always provide basic services to its citizens.

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

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

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Nickie Coppler, Auditor of City of Upper Sandusky, 119 N. 7th Street, Upper Sandusky, Ohio 43351 or 419-294-3988.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 4,162,403	\$ 2,378,310	\$ 6,540,713
Cash and Cash Equivalents in Segregated Accounts	1,416,004	-	1,416,004
Accounts Receivable	86,206	705,875	792,081
Intergovernmental Receivable	378,457	-	378,457
Taxes Receivable	935,972	-	935,972
Payments in Lieu of Taxes Receivable	70,892	-	70,892
Notes Receivable	194,211	-	194,211
Materials and Supplies Inventory	82,278	306,744	389,022
Net OPEB Asset	285,156	233,309	518,465
Capital Assets Not Being Depreciated/Amortized	836,350	1,351,112	2,187,462
Capital Assets Being Depreciated/Amortized, Net	14,291,984	60,907,943	75,199,927
<i>Total Assets</i>	<u>22,739,913</u>	<u>65,883,293</u>	<u>88,623,206</u>
Deferred Outflows of Resources			
Pension	1,125,822	335,498	1,461,320
OPEB	214,324	11,050	225,374
<i>Total Deferred Outflows of Resources</i>	<u>1,340,146</u>	<u>346,548</u>	<u>1,686,694</u>
Liabilities			
Accounts Payable	108,354	146,296	254,650
Accrued Wages	54,487	22,593	77,080
Contracts Payable	42,575	158,053	200,628
Intergovernmental Payable	61,032	13,685	74,717
Accrued Interest Payable	402	-	402
Claims Payable	1,491,114	-	1,491,114
Unearned Revenue	549,140	-	549,140
Long-Term Liabilities:			
Due Within One Year	530,134	1,941,357	2,471,491
Due In More Than One Year:			
Net Pension Liability	3,086,447	687,819	3,774,266
Net OPEB Liability	394,014	-	394,014
Other Amounts Due in More Than One Year	589,955	43,546,519	44,136,474
<i>Total Liabilities</i>	<u>6,907,654</u>	<u>46,516,322</u>	<u>53,423,976</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	320,000	-	320,000
Payments in Lieu of Taxes	70,892	-	70,892
Pension	1,918,106	850,114	2,768,220
OPEB	504,732	251,414	756,146
<i>Total Deferred Inflows of Resources</i>	<u>2,813,730</u>	<u>1,101,528</u>	<u>3,915,258</u>
Net Position			
Net Investment in Capital Assets *	14,793,368	16,718,959	30,940,380 *
Restricted for:			
Capital Projects	513,915	-	513,915
Other Purposes	1,565,916	-	1,565,916
Unrestricted (Deficit)	(2,514,524)	1,893,032	(49,545)
<i>Total Net Position</i>	<u>\$ 14,358,675</u>	<u>\$ 18,611,991</u>	<u>\$ 32,970,666</u>

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

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Activities
For the Year Ended December 31, 2022

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities							
General Government	\$ 1,863,722	\$ 927,018	\$ 144,291	\$ -	\$ (792,413)	\$ -	\$ (792,413)
Security of Persons and Property	2,496,766	28,675	-	-	(2,468,091)	-	(2,468,091)
Public Health	31,030	-	-	-	(31,030)	-	(31,030)
Leisure Time Services	575,850	50,253	-	-	(525,597)	-	(525,597)
Community Development	23,162	-	6,180	-	(16,982)	-	(16,982)
Basic Utility Service	196,143	-	-	-	(196,143)	-	(196,143)
Transportation	923,815	-	491,374	-	(432,441)	-	(432,441)
Debt Service							
Interest and Fiscal Charges	46,162	-	-	-	(46,162)	-	(46,162)
<i>Total Governmental Activities</i>	<u>6,156,650</u>	<u>1,005,946</u>	<u>641,845</u>	<u>-</u>	<u>(4,508,859)</u>	<u>-</u>	<u>(4,508,859)</u>
Business-Type Activities							
Water	2,785,188	2,764,568	-	249,998	-	229,378	229,378
Sewer	2,506,977	2,500,512	-	-	-	(6,465)	(6,465)
Sanitation	846,474	819,890	-	-	-	(26,584)	(26,584)
<i>Total Business-Type Activities</i>	<u>6,138,639</u>	<u>6,084,970</u>	<u>-</u>	<u>249,998</u>	<u>-</u>	<u>196,329</u>	<u>196,329</u>
<i>Total</i>	<u>\$ 12,295,289</u>	<u>\$ 7,090,916</u>	<u>\$ 641,845</u>	<u>\$ 249,998</u>	<u>(4,508,859)</u>	<u>196,329</u>	<u>(4,312,530)</u>
General Revenues							
Property Taxes Levied for:							
General Purposes					295,957	-	295,957
Income Taxes Levied for:							
General Purposes					2,748,939	-	2,748,939
Capital Projects					419,490	-	419,490
Recreational Purposes					563,062	-	563,062
Grants and Entitlements not Restricted to Specific Programs					314,506	-	314,506
Other Local Taxes					61,127	-	61,127
Payments in Lieu of Taxes					78,617	-	78,617
Investment Earnings					5,685	-	5,685
Miscellaneous					122,939	137,943	260,882
<i>Total General Revenues</i>					<u>4,610,322</u>	<u>137,943</u>	<u>4,748,265</u>
Transfers					488,741	(488,741)	-
<i>Total General Revenues and Transfers</i>					<u>5,099,063</u>	<u>(350,798)</u>	<u>4,748,265</u>
<i>Change in Net Position</i>					590,204	(154,469)	435,735
<i>Net Position Beginning of Year (Restated, See Note 2)</i>					<u>13,768,471</u>	<u>18,766,460</u>	<u>32,534,931</u>
<i>Net Position End of Year</i>					<u>\$ 14,358,675</u>	<u>\$ 18,611,991</u>	<u>\$ 32,970,666</u>

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Balance Sheet
Governmental Funds
December 31, 2022

	General	Parks and Recreation	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 666,482	\$ 307,008	\$ 550,979	\$ 2,223,550	\$ 3,748,019
Cash and Cash Equivalents in Segregated Accounts	9,692	-	-	-	9,692
Accounts Receivable	64,632	5,382	-	16,192	86,206
Intergovernmental Receivable	152,845	-	-	225,612	378,457
Taxes Receivable	768,747	95,557	71,668	-	935,972
Payments in Lieu of Taxes Receivable	-	-	70,892	-	70,892
Notes Receivable	-	-	-	194,211	194,211
Materials and Supplies Inventory	1,886	25,926	-	54,466	82,278
<i>Total Assets</i>	<u>\$ 1,664,284</u>	<u>\$ 433,873</u>	<u>\$ 693,539</u>	<u>\$ 2,714,031</u>	<u>\$ 5,505,727</u>
Liabilities					
Accounts Payable	\$ 55,948	\$ 3,726	\$ 31,965	\$ 10,123	\$ 101,762
Accrued Wages	46,688	2,726	-	5,073	54,487
Contracts Payable	-	-	-	42,575	42,575
Intergovernmental Payable	50,442	2,055	-	8,535	61,032
Unearned Revenue	-	-	-	549,140	549,140
<i>Total Liabilities</i>	<u>153,078</u>	<u>8,507</u>	<u>31,965</u>	<u>615,446</u>	<u>808,996</u>
Deferred Inflows of Resources					
Property Taxes Levied for the Next Year	320,000	-	-	-	320,000
Payments in Lieu of Taxes for the Next Year	-	-	70,892	-	70,892
Unavailable Revenue	377,265	52,555	35,380	190,255	655,455
<i>Total Deferred Inflows of Resources</i>	<u>697,265</u>	<u>52,555</u>	<u>106,272</u>	<u>190,255</u>	<u>1,046,347</u>
Fund Balances					
Nonspendable	1,886	25,926	-	54,466	82,278
Restricted	-	-	555,302	1,853,864	2,409,166
Committed	-	346,885	-	-	346,885
Assigned	597,783	-	-	-	597,783
Unassigned	214,272	-	-	-	214,272
<i>Total Fund Balance</i>	<u>813,941</u>	<u>372,811</u>	<u>555,302</u>	<u>1,908,330</u>	<u>3,650,384</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 1,664,284</u>	<u>\$ 433,873</u>	<u>\$ 693,539</u>	<u>\$ 2,714,031</u>	<u>\$ 5,505,727</u>

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2022

Total Governmental Fund Balances		\$ 3,650,384
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		15,128,334
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	\$ 5,923	
Income Tax	301,160	
Intergovernmental	321,539	
Charges for Services	21,451	
Accounts Receivable	5,382	655,455
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		322,990
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(402)
The net pension liability and net OPEB liability are not due and payable in the current period, therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Net OPEB Asset	285,156	
Deferred Outflows - Pension	1,125,822	
Deferred Outflows - OPEB	214,324	
Net Pension Liability	(3,086,447)	
Net OPEB Liability	(394,014)	
Deferred Inflows - Pension	(1,918,106)	
Deferred Inflows - OPEB	(504,732)	(4,277,997)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(398,679)	
OPWC Loans	(216,345)	
OWDA Loans	(235,602)	
Leases	(19,736)	
Compensated Absences	(249,727)	(1,120,089)
<i>Net Position of Governmental Activities</i>		<u>\$ 14,358,675</u>

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	General	Parks and Recreation	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 295,725	\$ -	\$ -	\$ -	\$ 295,725
Income Taxes	2,727,012	555,201	413,594	-	3,695,807
Other Local Taxes	45,845	-	-	15,282	61,127
Payments in Lieu of Taxes	-	-	78,617	-	78,617
Charges for Services	43,696	50,253	-	-	93,949
Licenses and Permits	86,419	-	-	-	86,419
Fines and Forfeitures	574,404	-	-	251,889	826,293
Intergovernmental	313,504	-	-	627,250	940,754
Interest	5,685	-	-	12,179	17,864
Contributions and Donations	3,880	-	-	6,427	10,307
Other	50,165	44,228	17,861	11,405	123,659
<i>Total Revenues</i>	<u>4,146,335</u>	<u>649,682</u>	<u>510,072</u>	<u>924,432</u>	<u>6,230,521</u>
Expenditures					
Current:					
General Government	1,884,543	-	-	342,280	2,226,823
Security of Persons and Property	2,523,360	-	-	-	2,523,360
Public Health	31,030	-	-	-	31,030
Leisure Time Services	4,133	596,617	40,737	4,136	645,623
Community Development	17,417	-	-	5,745	23,162
Basic Utility Service	-	-	196,143	-	196,143
Transportation	-	-	88,207	378,168	466,375
Capital Outlay	-	-	-	128,150	128,150
Debt Service:					
Principal Retirement	86,781	-	548,667	-	635,448
Interest and Fiscal Charges	9,261	-	37,328	-	46,589
<i>Total Expenditures</i>	<u>4,556,525</u>	<u>596,617</u>	<u>911,082</u>	<u>858,479</u>	<u>6,922,703</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(410,190)</u>	<u>53,065</u>	<u>(401,010)</u>	<u>65,953</u>	<u>(692,182)</u>
Other Financing Sources (Uses)					
Transfers In	-	-	492,715	-	492,715
Transfers Out	(14,313)	-	-	-	(14,313)
<i>Total Other Financing Sources (Uses)</i>	<u>(14,313)</u>	<u>-</u>	<u>492,715</u>	<u>-</u>	<u>478,402</u>
<i>Net Change in Fund Balances</i>	(424,503)	53,065	91,705	65,953	(213,780)
<i>Fund Balances Beginning of Year</i>	1,238,190	303,752	463,597	1,798,846	3,804,385
Change in Reserve for Inventory	254	15,994	-	43,531	59,779
<i>Fund Balances End of Year</i>	<u>\$ 813,941</u>	<u>\$ 372,811</u>	<u>\$ 555,302</u>	<u>\$ 1,908,330</u>	<u>\$ 3,650,384</u>

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2022*

Net Change in Fund Balances - Total Governmental Funds		\$ (213,780)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.		
Capital Asset Additions	\$ 205,077	
Current Year Depreciation/Amortization	<u>(795,590)</u>	(590,513)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(20,083)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	232	
Income Tax	35,684	
Intergovernmental	(6,889)	
Charges for Services	(715)	
Accounts Receivable	<u>(720)</u>	27,592
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities they are reported as an expense when consumed.		
		59,779
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	113,006	
OPWC Loans	24,700	
OWDA Loans	455,267	
Lease	<u>42,475</u>	635,448
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable		427
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	401,428	
OPEB	<u>5,035</u>	406,463
Except for amount reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	51,099	
OPEB	<u>234,472</u>	285,571
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		31,884
Some expenses reported in the statement of activities, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated Absences		<u>(32,584)</u>
<i>Change in Net Position of Governmental Activities</i>		<u>\$ 590,204</u>
See accompanying notes to the basic financial statements.		

City of Upper Sandusky
Wyandot County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 321,850	\$ 321,850	\$ 295,725	\$ (26,125)
Income Taxes	2,270,000	2,164,000	2,714,579	550,579
Other Local Taxes	50,000	50,000	48,649	(1,351)
Charges for Services	48,625	48,625	43,696	(4,929)
Licenses and Permits	85,300	85,300	86,371	1,071
Fines and Forfeitures	637,000	637,000	580,343	(56,657)
Intergovernmental	282,750	282,750	313,404	30,654
Interest	10,000	10,000	5,685	(4,315)
Contributions and Donations	-	-	3,880	3,880
Other	28,000	57,000	43,041	(13,959)
<i>Total Revenues</i>	<u>3,733,525</u>	<u>3,656,525</u>	<u>4,135,373</u>	<u>478,848</u>
Expenditures				
Current:				
General Government	1,857,545	1,959,348	1,868,349	90,999
Security of Persons and Property	2,411,279	2,573,976	2,564,941	9,035
Public Health	31,000	31,050	31,030	20
Leisure Time Services	-	-	4,133	(4,133)
Community Development	19,500	19,500	17,417	2,083
Debt Service:				
Principal Retirement	86,801	86,801	86,781	20
Interest and Fiscal Charges	9,340	9,340	9,261	79
<i>Total Expenditures</i>	<u>4,415,465</u>	<u>4,680,015</u>	<u>4,581,912</u>	<u>98,103</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(681,940)</u>	<u>(1,023,490)</u>	<u>(446,539)</u>	<u>576,951</u>
Other Financing (Uses)				
Transfers Out	(13,900)	(14,350)	(14,313)	37
<i>Net Change in Fund Balance</i>	(695,840)	(1,037,840)	(460,852)	576,988
<i>Fund Balance Beginning of Year</i>	1,080,732	1,080,732	1,080,732	-
Prior Year Encumbrances Appropriated	17,424	17,424	17,424	-
<i>Fund Balance End of Year</i>	<u>\$ 402,316</u>	<u>\$ 60,316</u>	<u>\$ 637,304</u>	<u>\$ 576,988</u>

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
Parks and Recreation Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Income Taxes	\$ 475,000	\$ 475,000	\$ 549,147	\$ 74,147
Charges for Services	35,500	35,500	50,253	14,753
Miscellaneous	25,900	25,900	44,228	18,328
<i>Total Revenues</i>	<u>536,400</u>	<u>536,400</u>	<u>643,628</u>	<u>107,228</u>
Expenditures				
Current:				
Leisure Time Activities	556,850	617,395	602,015	15,380
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(20,450)</u>	<u>(80,995)</u>	<u>41,613</u>	<u>122,608</u>
<i>Net Change in Fund Balance</i>	(20,450)	(80,995)	41,613	122,608
<i>Fund Balance Beginning of Year</i>	<u>264,446</u>	<u>264,446</u>	<u>264,446</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 243,996</u>	<u>\$ 183,451</u>	<u>\$ 306,059</u>	<u>\$ 122,608</u>

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2022

	Enterprise Funds				Governmental
	Water	Sewer	Sanitation	Total	Internal Service Fund
Assets					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 349,934	\$ 1,908,969	\$ 119,407	\$ 2,378,310	\$ 414,384
Cash and Cash Equivalents in Segregated Accounts	-	-	-	-	1,406,312
Accounts Receivable	315,214	298,039	92,622	705,875	-
Materials and Supplies Inventory	233,751	44,963	28,030	306,744	-
<i>Total Current Assets</i>	<u>898,899</u>	<u>2,251,971</u>	<u>240,059</u>	<u>3,390,929</u>	<u>1,820,696</u>
<i>Non-Current Assets:</i>					
Net OPEB Asset	103,693	72,585	57,031	233,309	-
Non-Depreciable Capital Assets	1,295,571	55,541	-	1,351,112	-
Depreciable Capital Assets, Net	23,516,697	36,850,280	540,966	60,907,943	-
<i>Total Non-Current Assets</i>	<u>24,915,961</u>	<u>36,978,406</u>	<u>597,997</u>	<u>62,492,364</u>	<u>-</u>
<i>Total Assets</i>	<u>25,814,860</u>	<u>39,230,377</u>	<u>838,056</u>	<u>65,883,293</u>	<u>1,820,696</u>
Deferred Outflows of Resources					
Pension	147,073	97,791	90,634	335,498	-
OPEB	2,628	5,720	2,702	11,050	-
<i>Total Deferred Outflows of Resources</i>	<u>149,701</u>	<u>103,511</u>	<u>93,336</u>	<u>346,548</u>	<u>-</u>
Liabilities					
<i>Current Liabilities:</i>					
Accounts Payable	43,833	73,804	28,659	146,296	6,592
Accrued Wages	10,193	7,084	5,316	22,593	-
Contracts Payable	153,553	4,500	-	158,053	-
Intergovernmental Payable	6,137	4,568	2,980	13,685	-
Claims Payable	-	-	-	-	1,491,114
Compensated Absences Payable	17,922	32,372	9,880	60,174	-
OPWC Loans Payable	42,093	45,000	-	87,093	-
OWDA Loans Payable	534,812	1,259,278	-	1,794,090	-
<i>Total Current Liabilities</i>	<u>808,543</u>	<u>1,426,606</u>	<u>46,835</u>	<u>2,281,984</u>	<u>1,497,706</u>
<i>Long-Term Liabilities:</i>					
Compensated Absences Payable - Net of Current Portion	14,993	19,618	11,048	45,659	-
OPWC Loans Payable - Net of Current Portion	999,003	652,500	-	1,651,503	-
OWDA Loans Payable - Net of Current Portion	12,672,674	29,176,683	-	41,849,357	-
Net Pension Liability	305,697	213,988	168,134	687,819	-
<i>Total Long-Term Liabilities</i>	<u>13,992,367</u>	<u>30,062,789</u>	<u>179,182</u>	<u>44,234,338</u>	<u>-</u>
<i>Total Liabilities</i>	<u>14,800,910</u>	<u>31,489,395</u>	<u>226,017</u>	<u>46,516,322</u>	<u>1,497,706</u>
Deferred Inflows of Resources					
Pension	377,867	260,746	211,501	850,114	-
OPEB	112,147	75,122	64,145	251,414	-
<i>Total Deferred Inflows of Resources</i>	<u>490,014</u>	<u>335,868</u>	<u>275,646</u>	<u>1,101,528</u>	<u>-</u>
Net Position					
Net Investment in Capital Assets	10,410,134	5,767,859	540,966	16,718,959 *	-
Unrestricted (Deficit)	263,503	1,740,766	(111,237)	1,893,032	322,990
<i>Total Net Position</i>	<u>\$ 10,673,637</u>	<u>\$ 7,508,625</u>	<u>\$ 429,729</u>	<u>\$ 18,611,991</u>	<u>\$ 322,990</u>

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

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2022

	Enterprise				Governmental Activities
	Water	Sewer	Sanitation	Total	Internal Service Fund
Operating Revenues					
Charges for Services	\$ 2,764,568	\$ 2,500,512	\$ 819,890	\$ 6,084,970	\$ 1,783,350
Other	73,329	39,508	25,106	137,943	-
<i>Total Operating Revenues</i>	<u>2,837,897</u>	<u>2,540,020</u>	<u>844,996</u>	<u>6,222,913</u>	<u>1,783,350</u>
Operating Expenses					
Personal Services	588,782	487,084	353,615	1,429,481	-
Contractual Services	465,637	451,563	295,571	1,212,771	3,389
Materials and Supplies	271,995	151,141	112,827	535,963	-
Claims	-	-	-	-	1,748,077
Depreciation	1,029,542	1,354,293	81,939	2,465,774	-
Other	4,879	2,522	2,522	9,923	-
<i>Total Operating Expenses</i>	<u>2,360,835</u>	<u>2,446,603</u>	<u>846,474</u>	<u>5,653,912</u>	<u>1,751,466</u>
<i>Operating Income (Loss)</i>	<u>477,062</u>	<u>93,417</u>	<u>(1,478)</u>	<u>569,001</u>	<u>31,884</u>
Non-Operating (Expenses)					
Loss on Disposal of Capital Assets	-	-	(10,339)	(10,339)	-
Interest	(424,353)	(60,374)	-	(484,727)	-
<i>Total Non-Operating (Expenses)</i>	<u>(424,353)</u>	<u>(60,374)</u>	<u>(10,339)</u>	<u>(495,066)</u>	<u>-</u>
<i>Income (Loss) Before Transfers and Capital Contributions</i>	52,709	33,043	(11,817)	73,935	31,884
Capital Contributions	249,998	-	-	249,998	-
Transfers Out	(478,402)	-	-	(478,402)	-
<i>Change in Net Position</i>	(175,695)	33,043	(11,817)	(154,469)	31,884
<i>Net Position Beginning of Year (Restated, See Note 2)</i>	<u>10,849,332</u>	<u>7,475,582</u>	<u>441,546</u>	<u>18,766,460</u>	<u>291,106</u>
<i>Net Position End of Year</i>	<u>\$ 10,673,637</u>	<u>\$ 7,508,625</u>	<u>\$ 429,729</u>	<u>\$ 18,611,991</u>	<u>\$ 322,990</u>

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Enterprise Funds				Governmental Activities
	Water	Sewer	Sanitation	Total	Internal Service Fund
Cash Flows from Operating Activities					
Cash Received from Customers	\$ 2,829,877	\$ 2,553,344	\$ 849,092	\$ 6,232,313	\$ 1,783,350
Cash Received from Other Operating Receipts	73,329	39,508	25,106	137,943	-
Cash Payments to Suppliers for Goods and Services	(340,343)	(185,247)	(136,083)	(661,673)	-
Cash Payments to Employees for Services and Benefits	(837,938)	(612,704)	(484,404)	(1,935,046)	-
Cash Payments for Contractual Services	(473,034)	(422,635)	(296,034)	(1,191,703)	-
Cash Payments for Claims	-	-	-	-	(460,826)
Other Cash Payments	(4,879)	(2,522)	(2,522)	(9,923)	-
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,247,012</u>	<u>1,369,744</u>	<u>(44,845)</u>	<u>2,571,911</u>	<u>1,322,524</u>
Cash Flows from Noncapital Financing Activities					
Transfers Out	(478,402)	-	-	(478,402)	-
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>(478,402)</u>	<u>-</u>	<u>-</u>	<u>(478,402)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities					
Capital Grants	249,998	-	-	249,998	-
Proceeds of OPWC Loans	102,335	-	-	102,335	-
Proceeds of OWDA Loans	757,660	-	-	757,660	-
Acquisition of Capital Assets	(1,099,619)	(60,425)	(296,867)	(1,456,911)	-
Principal Payments on Debt	(560,707)	(1,300,753)	-	(1,861,460)	-
Interest Payments on Debt	(424,353)	(60,374)	-	(484,727)	-
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(974,686)</u>	<u>(1,421,552)</u>	<u>(296,867)</u>	<u>(2,693,105)</u>	<u>-</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(206,076)	(51,808)	(341,712)	(599,596)	1,322,524
<i>Cash and Cash Equivalents Beginning of Year</i>	556,010	1,960,777	461,119	2,977,906	498,172
<i>Cash and Equivalents End of Year</i>	<u>\$ 349,934</u>	<u>\$ 1,908,969</u>	<u>\$ 119,407</u>	<u>\$ 2,378,310</u>	<u>\$ 1,820,696</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating Income (Loss)	\$ 477,062	\$ 93,417	\$ (1,478)	\$ 569,001	\$ 31,884
Adjustments:					
Depreciation	1,029,542	1,354,293	81,939	2,465,774	-
(Increase) Decrease in Assets and Deferred Outflows:					
Accounts Receivable	65,309	52,832	29,202	147,343	-
Materials and Supplies Inventory	(70,402)	(27,905)	(23,887)	(122,194)	-
Net OPEB Asset	(47,488)	(31,171)	(27,450)	(106,109)	-
Deferred Outflows - Pension/OPEB	(53,941)	7,174	(43,034)	(89,801)	-
Increase (Decrease) in Liabilities and Deferred Inflows:					
Accounts Payable	(5,343)	22,727	168	17,552	3,389
Accrued Wages	771	(524)	227	474	-
Intergovernmental Payable	(229)	(11)	258	18	-
Claims Payable	-	-	-	-	1,287,251
Compensated Absences Payable	(18,438)	4,376	826	(13,236)	-
Deferred Inflows - Pension/OPEB	61,305	46,636	31,741	139,682	-
Net Pension Liability	(191,136)	(152,100)	(93,357)	(436,593)	-
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 1,247,012</u>	<u>\$ 1,369,744</u>	<u>\$ (44,845)</u>	<u>\$ 2,571,911</u>	<u>\$ 1,322,524</u>

Noncash Capital Financing Activities:

During the year, the sanitation fund transferred \$10,339 in capital assets to governmental activities. The City also purchased \$158,053 and \$17,785 of capital assets on account in 2022 and 2021, respectively.

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

	<u>Custodial</u>
Assets	
Cash and Cash Equivalents in Segregated Accounts	\$ <u>51,277</u>
Liabilities	
Due to Other Governments	<u>28,780</u>
Net Position	
Restricted Net Position for Individuals, Organizations & Other Governments	<u><u>22,497</u></u>

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2022

	Custodial
Additions	
Fines & Forfeitures for Other Governments	\$ 797,069
Deductions	
Fines & Forfeitures Distributions to Other Governments	784,740
<i>Change in Net Position</i>	12,329
<i>Net Position Beginning of Year</i>	10,168
<i>Net Position End of Year</i>	\$ 22,497

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 1 -- DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

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

Reporting Entity: A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financials are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City.

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

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

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

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

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

A. BASIS OF PRESENTATION

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

B. FUND ACCOUNTING

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Governmental Funds

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

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

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

Parks and Recreation Fund - The parks and recreation fund accounts for financial resources to be used for operating and maintaining the City's recreational facilities and programs.

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

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and are classified as either enterprise or internal service.

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

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

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

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

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City's only internal service fund accounts for a self-insurance program for employee medical benefits.

Fiduciary Funds

Fiduciary funds reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Presently, the City has no trust funds, investment trust funds or private-purpose trust funds. The City presently has one custodial fund for the Municipal Court.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

C. MEASUREMENT FOCUS

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

D. BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-exchange Transactions

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income taxes, fines and forfeitures, entitlements, and state-levied locally shared taxes (including gasoline tax and motor vehicle license fees).

Deferred Inflows of Resources and Deferred Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2022, but which were levied to finance 2023 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue may include delinquent property taxes, income taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 10 and 11).

Expenses/Expenditures

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

E. BUDGET

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

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

Tax Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the first and final amended official certificate of estimated resources issued during 2022.

Appropriations

A temporary appropriation resolution to control expenditures may be passed on or about January 1 of each year for the period of January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution fixes spending authority at the fund, department, and object level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. Several supplemental appropriation ordinances were legally enacted by Council during the year. The budget figures, which appear in the statement of budgetary comparisons, present the original and final appropriation amounts including all amendments and modifications.

Encumbrances

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Lapsing of Appropriations

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

F. DEPOSITS

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

Except for nonparticipating investment contracts, investments are reported at fair value. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during year 2022 amounted to \$5,685 which included \$4,982 assigned from other funds of the City.

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

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

G. INVENTORIES

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

H. CAPITAL ASSETS

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

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

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

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

The City is reporting intangible right to use assets related to leased equipment. These intangible assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

J. COMPENSATED ABSENCES

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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

K. PENSIONS/OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

M. FUND BALANCE

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

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City. The Council has by resolution authorized the auditor to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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

N. NET POSITION

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

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

O. OPERATING REVENUES AND EXPENSES

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

P. CONTRIBUTION OF CAPITAL

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

Q. INTERFUND ACTIVITY

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

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

R. EXTRAORDINARY AND SPECIAL ITEMS

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2022.

S. ESTIMATES

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

T. UNEARNED REVENUE

Unearned revenue arises when monies are received before revenue recognition criteria have been satisfied. The unearned revenue reported represents grants received from the American Rescue Plan Act funding.

U. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

Implementation of New Accounting Principles

For the year ended December 31, 2022, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 91, *Conduit Debt Obligations*, GASB Statement No. 92, *Omnibus 2020*, a certain provision of GASB Statement No. 93, *Replacement of Interbank Offered Rates*, certain provisions of GASB Statement No. 97, *Component Unit Criteria and Deferred Compensation Plans*, and certain provisions of GASB Statement No. 99, *Omnibus 2022*.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the City.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the City.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of paragraph 11b of GASB Statement No. 93 did not have an effect on the financial statements of the City.

GASB Statement No. 97 results in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The implementation of certain provisions of GASB Statement No. 97 (all except paragraphs 4 and 5) did not have an effect on the financial statements of the City.

GASB Statement No. 99 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of certain provisions of GASB Statement No. 99 that relate to extension of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, and pledges of future revenues by pledging governments, did not have an effect on the financial statements of the City.

V. RESTATEMENT OF NET POSITION

During 2022, the City identified a sewer project that was reported in error. The following is the change in net position:

	<u>Sewer</u>	<u>Business-Type Activities</u>
Net Position, December 31, 2021	\$ 7,726,730	\$ 19,017,608
Adjustments:		
Change in Construction in Progress	<u>(251,148)</u>	<u>(251,148)</u>
Restated Net Position, December 31, 2021	<u>\$ 7,475,582</u>	<u>\$ 18,766,460</u>

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 3 -- BUDGET BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The “statement of revenue, expenditures, and changes in fund balance - budget (non-GAAP basis) and actual” presented for the general fund and parks and recreation fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a restriction, commitment or assignment of fund balance for that portion of outstanding encumbrances not already recognized as payables (GAAP basis).

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

Net Change in Fund Balance

	General Fund	Parks and Recreation Fund
GAAP Basis	\$ (424,503)	\$ 53,065
Net Adjustment for Revenue Accruals	(10,962)	(6,054)
Net Adjustment for Expenditure Accruals	3,525	(4,448)
Adjustment for Encumbrances	(28,912)	(950)
Budget Basis	\$ (460,852)	\$ 41,613

NOTE 4 -- DEPOSITS AND INVESTMENTS

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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

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

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

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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

Cash on Hand

At December 31, 2022 the City had \$675 in undeposited cash on hand, which is included as part of “Equity in Pooled Cash and Cash Equivalents.”

Deposits

At year-end, \$3,097,411 of the City’s bank balance of \$8,115,049 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions’ trust department in the City’s name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

Custodial Credit Risk

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

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

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

NOTE 5 -- RECEIVABLES

Receivables at December 31, 2022, consisted primarily of municipal income taxes, property and other taxes, due from other governments arising from entitlements, shared revenues, accounts (billings for utility service), revenue in lieu of taxes, and notes receivable. No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2022 for real and public utility property taxes represents collections of the 2021 taxes.

2022 real property taxes were levied after October 1, 2022 on the assessed value as of January 1, 2022, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2022 real property taxes are collected in and intended to finance 2023.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2022 public utility property taxes which became a lien December 31, 2021, are levied after October 1, 2022, and are collected in 2023 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2022, was \$3.80 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2022 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$ 131,747,310
Public Utilities - Real	50,180
Public Utilities - Personal	7,160,090
	<u>\$ 138,957,580</u>

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2022, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2022 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Income Taxes

The City levies and collects an income tax of 1 percent on all income earned within the City as well as on incomes of residents earned outside the City. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Council has authority to establish re-allocation of income tax as needed. After defraying all necessary costs of collecting, administering, and enforcing the tax, the balance shall be allocated 72 percent to the general fund, 16 percent to the parks and recreation fund and 12 percent to the capital improvement fund.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 6 – RISK MANAGEMENT

Risk Pool Membership

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

The Pool covers the following risks:

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

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

	<u>2022</u>
Cash and Investments	\$ 42,310,794
Actuarial Liabilities	\$ 15,724,479

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

Workers’ Compensation

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

Health and Prescription Coverage

Effective January 1, 2016 the City began providing medical insurance to its employees through a self-insurance plan. The City pays a monthly administrative premium, including a stop-loss fee, for the self-insurance plan. The City contracts with a third-party administrator to direct this program. During 2022, self-insurance was in effect for claims up to \$40,000 per covered individual and \$1,000,000 in aggregate. Any claims exceeding these thresholds are covered by a stop-loss insurance policy.

At December 31, 2022, \$1,491,114 has been accrued for self-insurance claims. The claims liability reported in the self-insurance fund is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

financial statements and the amount of the loss can be reasonably estimated. This represents estimates to be paid for medical and prescription unpaid claims costs, including an estimate of costs relating to incurred but not yet reported claims based on the current information available.

A reconciliation of the changes in the balance of claims liabilities during 2021 and 2022 follows:

		Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2021	\$	96,103	\$ 1,196,736	\$ 1,088,976	\$ 203,863
2022		203,863	1,748,077	460,826	1,491,114

NOTE 7 -- CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022:

	Balance 12/31/2021	Additions	Deletions	Transfers	Balance 12/31/2022
Governmental Activities					
<i>Capital Assets, Not Being Depreciated</i>					
Land	\$ 708,200	\$ -	\$ -	\$ -	\$ 708,200
Construction in Progress	-	128,150	-	-	128,150
<i>Total Capital Assets, Not Being Depreciated</i>	<u>708,200</u>	<u>128,150</u>	<u>-</u>	<u>-</u>	<u>836,350</u>
<i>Capital Assets, Being Depreciated/Amortized</i>					
Buildings and Improvements	4,901,670	-	-	-	4,901,670
Machinery and Equipment	1,167,399	66,588	(59,850)	-	1,174,137
Infrastructure	27,125,075	-	-	-	27,125,075
Vehicles	2,006,988	-	(54,572)	27,118	1,979,534
Leased Vehicles (Intangible Right to Use)	122,294	-	-	-	122,294
<i>Total Capital Assets, Being Depreciated/Amortized</i>	<u>35,323,426</u>	<u>66,588</u>	<u>(114,422)</u>	<u>27,118</u>	<u>35,302,710</u>
<i>Accumulated Depreciation/Amortization</i>					
Buildings and Improvements	(3,968,056)	(76,810)	-	-	(4,044,866)
Machinery and Equipment	(859,307)	(48,156)	46,057	-	(861,406)
Infrastructure	(14,079,709)	(514,637)	-	-	(14,594,346)
Vehicles	(1,369,566)	(142,230)	48,282	(16,779)	(1,480,293)
Leased Vehicles (Intangible Right to Use)	(16,058)	(13,757)	-	-	(29,815)
<i>Total Accumulated Depreciation/Amortization</i>	<u>(20,292,696)</u>	<u>(795,590)</u>	<u>94,339</u>	<u>(16,779)</u>	<u>(21,010,726)</u>
<i>Total Capital Assets Being Depreciated/Amortized, Net</i>	<u>15,030,730</u>	<u>(729,002)</u>	<u>(20,083)</u>	<u>10,339</u>	<u>14,291,984</u>
<i>Governmental Activities, Capital Assets, Net</i>	<u>\$ 15,738,930</u>	<u>\$ (600,852)</u>	<u>\$ (20,083)</u>	<u>\$ 10,339</u>	<u>\$ 15,128,334</u>

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

General Government	\$ 27,684
Security of Persons and Property	138,548
Transportation	549,697
Leisure Time Activities	<u>79,661</u>
Total Depreciation	<u><u>\$ 795,590</u></u>

	Restated Balance 12/31/2021	Additions	Deletions	Transfers	Balance 12/31/2022
<i>Business-Type Activities</i>					
<i>Capital Assets, Not Being Depreciated</i>					
Land	\$ 50,800	\$ -	\$ -	\$ -	\$ 50,800
Construction in Progress	-	1,300,312	-	-	1,300,312
<i>Total Capital Assets, Not Being Depreciated</i>	<u>50,800</u>	<u>1,300,312</u>	<u>-</u>	<u>-</u>	<u>1,351,112</u>
<i>Capital Assets, Being Depreciated</i>					
Buildings and Improvements	39,439,222	-	-	-	39,439,222
Machinery and Equipment	10,570,592	-	-	-	10,570,592
Infrastructure	38,781,957	-	-	-	38,781,957
Vehicles	1,351,445	296,867	-	(27,118)	1,621,194
<i>Total Capital Assets, Being Depreciated</i>	<u>90,143,216</u>	<u>296,867</u>	<u>-</u>	<u>(27,118)</u>	<u>90,412,965</u>
<i>Accumulated Depreciation</i>					
Buildings and Improvements	(6,285,786)	(1,002,038)	-	-	(7,287,824)
Machinery and Equipment	(2,943,357)	(613,717)	-	-	(3,557,074)
Infrastructure	(16,977,709)	(736,585)	-	-	(17,714,294)
Vehicles	(849,175)	(113,434)	-	16,779	(945,830)
<i>Total Accumulated Depreciated</i>	<u>(27,056,027)</u>	<u>(2,465,774)</u>	<u>-</u>	<u>16,779</u>	<u>(29,505,022)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>63,087,189</u>	<u>(2,168,907)</u>	<u>-</u>	<u>(10,339)</u>	<u>60,907,943</u>
<i>Business-Type Activities, Capital Assets, Net</i>	<u>\$ 63,137,989</u>	<u>\$ (868,595)</u>	<u>\$ -</u>	<u>\$ (10,339)</u>	<u>\$ 62,259,055</u>

NOTE 8 -- COMPENSATED ABSENCES

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Vacation is accumulated based upon length of service as follows:

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

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

NOTE 9 -- LONG TERM LIABILITIES

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

	Balance 12/31/2021	Additions	Deductions	Balance 12/31/2022	Amount Due Within One Year
Governmental Activities:					
<i>General Obligation Bonds:</i>					
Capital Improvement Bonds - 2005	\$ 155,000	\$ -	\$ 35,000	\$ 120,000 *	\$ 38,000
<i>Direct Placements:</i>					
Fire Truck Bond, Series 2014	137,185	-	44,306	92,879	45,746
Fire Truck Bond, Series 2017	219,500	-	33,700	185,800	34,800
Total Direct Placements	356,685	-	78,006	278,679	80,546
<i>Direct Borrowings:</i>					
<i>OWDA Loan:</i>					
2002 Reservoir Construction	690,869	-	455,267	235,602 *	235,602
<i>OPWC Loans:</i>					
2004 Rock Run Road Improvements	13,370	-	3,820	9,550 *	3,820
2005 CSO Removal	50,573	-	12,642	37,931 *	12,642
2011 Commerce Drive Storm Drainage	177,102	-	8,238	168,864 *	8,237
Total OPWC Loans	241,045	-	24,700	216,345	24,699
Total Direct Borrowings	931,914	-	479,967	451,947	260,301
<i>Other Long-Term Obligations:</i>					
Net Pension Liability	3,853,434	-	766,987	3,086,447	-
Net OPEB Liability	367,249	26,765	-	394,014	-
Compensated Absences	217,143	148,839	116,255	249,727	134,857
Leases Payable	62,211	-	42,475	19,736	16,430
Total Other Long-Term Obligations	4,500,037	175,604	925,717	3,749,924	151,287
Total Governmental Activities	5,943,636	175,604	1,518,690	4,600,550	530,134

*These debt issues are recorded in governmental activities to finance assets of the business-type activities. See notation on pages 14 and 22 for a further description of the presentation on the statement of net position.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

	Balance			Amount Due	
	12/31/2021	Additions	Deductions	Balance 12/31/2022	Within One Year
Business-Type Activities:					
<i>Direct Borrowings:</i>					
<i>OWDA Loans:</i>					
2010 WTP & Storage Tower	\$ 11,477,682	\$ -	\$ 427,136	\$ 11,050,546	\$ 441,392
2013 Warpole Waterlines installed	415,382	-	14,946	400,436	15,350
2013 NE Quadrant Waterlines	1,075,376	-	76,532	998,844	78,070
2016 Sewer Separation	5,864,825	-	351,629	5,513,196	355,154
2019 WWTP Upgrades**	25,826,889	-	904,124	24,922,765	904,124
2022 Water Meter Replacement*	-	757,660	-	757,660	-
<i>Total OWDA Loans</i>	<u>44,660,154</u>	<u>757,660</u>	<u>1,774,367</u>	<u>43,643,447</u>	<u>1,794,090</u>
<i>OPWC Loans:</i>					
2013 Elevated Tank Painting	383,332	-	16,667	366,665	16,667
2013 Waterline Replacement	271,011	-	11,532	259,479	11,532
2013 Waterline Replacement	326,511	-	13,894	312,617	13,894
2016 Sewer Separation	742,500	-	45,000	697,500	45,000
2022 Water Meter Replacement*	-	102,335	-	102,335	-
<i>Total OPWC Loans</i>	<u>1,723,354</u>	<u>102,335</u>	<u>87,093</u>	<u>1,738,596</u>	<u>87,093</u>
<i>Total Direct Borrowings</i>	<u>46,383,508</u>	<u>859,995</u>	<u>1,861,460</u>	<u>45,382,043</u>	<u>1,881,183</u>
<i>Other Long-Term Obligations</i>					
Net Pension Liability	1,124,412	-	436,593	687,819	-
Compensated Absences	119,069	50,239	63,475	105,833	60,174
<i>Total Other Long-Term Obligations</i>	<u>1,243,481</u>	<u>50,239</u>	<u>500,068</u>	<u>793,652</u>	<u>60,174</u>
<i>Total Business-Type Activities</i>	<u>47,626,989</u>	<u>910,234</u>	<u>2,361,528</u>	<u>46,175,695</u>	<u>1,941,357</u>

*These loans are not fully disbursed. Therefore, they are excluded from the amortization schedules below.

**The amortization schedule for this loan is unavailable. Therefore, it is excluded from the amortization schedules below.

Governmental Activities

General Obligation Bonds

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Direct Placements

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

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

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

Direct Borrowings

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

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

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

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

Business-type Activities

Direct Borrowings

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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

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

The OWDA loan financed the 2019 wastewater treatment plant upgrades in the amount of \$27,257,956, of which \$100,000 of principal has been forgiven. As of December 31, 2021 the loan has been fully disbursed; however, no amortization schedule is available. The retirement of this 0.01 percent interest loan will be made by the sewer fund.

The OWDA loan financed the 2022 water meter replacement in the amount of \$1,118,171. As of December 31, 2022 the loan is not fully disbursed; therefore, no amortization schedule is available. The retirement of this 0.29 percent interest loan will be made by the water fund.

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

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

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

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

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

The OPWC loan financed the 2022 water meter replacement in the amount of \$250,000. As of December 31, 2022 the loan is not fully disbursed; therefore, no amortization schedule is available. The retirement of this 0.0 percent interest loan will be made by the water fund.

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

The leases for governmental activities will be paid from the general and capital improvement funds. Compensated absences will be paid from the funds which the employee's salaries are paid, typically the general fund, the water fund, the sewer fund and the sanitation fund. There are no repayment schedules for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the general fund and water, sewer, and sanitation funds. For additional information related to the net pension liability and net OPEB liability see Notes 10 and 11.

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2022 are as follows:

Year Ending December 31,	Governmental Activities						
	OWDA Loans		OPWC Loans	Bonds		Totals	
	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2023	\$ 235,602	\$ 4,712	\$ 24,699	\$ 118,546	\$ 14,499	\$ 378,847	\$ 19,211
2024	-	-	24,699	123,033	10,098	147,732	10,098
2025	-	-	22,790	79,200	5,457	101,990	5,457
2026	-	-	8,237	38,300	2,222	46,537	2,222
2027	-	-	8,237	39,600	969	47,837	969
2028-2032	-	-	41,185	-	-	41,185	-
2033-2037	-	-	41,189	-	-	41,189	-
2038-2042	-	-	41,188	-	-	41,188	-
2043-2046	-	-	4,121	-	-	4,121	-
	<u>\$ 235,602</u>	<u>\$ 4,712</u>	<u>\$ 216,345</u>	<u>\$ 398,679</u>	<u>\$ 33,245</u>	<u>\$ 850,626</u>	<u>\$ 37,957</u>

Year Ending December 31,	Business-Type Activities				
	OWDA Loans		OPWC Loans	Total	
	Principal	Interest	Principal	Principal	Interest
2023	\$ 889,966	\$ 446,654	\$ 87,093	\$ 977,059	\$ 446,654
2024	910,243	426,377	87,093	997,336	426,377
2025	931,089	405,531	87,093	1,018,182	405,531
2026	952,523	384,098	87,093	1,039,616	384,098
2027	974,564	362,058	87,093	1,061,657	362,058
2028-2032	5,225,994	1,457,112	435,465	5,661,459	1,457,112
2033-2037	5,322,581	814,017	435,464	5,758,045	814,017
2038-2042	2,756,062	186,435	232,965	2,989,027	186,435
2043-2046	-	-	96,902	96,902	-
	<u>\$ 17,963,022</u>	<u>\$ 4,482,282</u>	<u>\$ 1,636,261</u>	<u>\$ 19,599,283</u>	<u>\$ 4,482,282</u>

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

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$45,382,043 to Ohio Public Works Commission (OPWC) and Ohio Water Development Authority (OWDA). Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which were 86 percent. The total principal and interest remaining to be paid on the loans is \$49,864,325. This excludes interest applicable to the OWDA loans for wastewater treatment plant upgrades and water meter replacement as amortization schedules are not available. Principal and interest paid for the current year and total net revenues were \$2,330,441 and \$2,954,314, respectively.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Leases

During 2019, the City entered into lease agreement for a copier and supplies, which expires December 5, 2025. This asset was not capitalized.

During 2020, the City entered into a lease agreement as lessee for financing the acquisition of two police cruisers and equipment at 6.15 percent interest. This lease was paid in full during 2022.

During 2021, the City entered into a lease agreement as lessee for financing the acquisition of a K-9 police cruiser and equipment at 6.15 percent interest, with an ending date 7/13/2023.

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at December 31, 2022:

Governmental Activities			
<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 16,430	\$ 1,819	\$ 18,249
2024	<u>3,306</u>	<u>364</u>	<u>3,670</u>
	<u>\$ 19,736</u>	<u>\$ 2,183</u>	<u>\$ 21,919</u>

NOTE 10 -- DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability (Asset)

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

The net pension/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 this estimate annually.

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (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 healthcare to eligible benefit recipients.

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

The remainder of this note includes the pension disclosures. See Note 11 for the OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2022, the Combined Plan is no longer available for member selection. Substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

**City of Upper Sandusky
Wyandot County, Ohio**
*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

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

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 amount of a member's pension benefit vests upon receipt of the initial benefit payment.

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

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

	<u>State and Local</u>
2022 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2022 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	<u>0.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$368,057 for 2022. Of this amount, \$32,030 is reported as an intergovernmental payable.

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

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

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

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

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

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

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member's base pension benefit.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0 percent or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

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

	Police	Firefighters
2022 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2022 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$198,996 for 2022. Of this amount, \$15,321 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2021, and was determined by rolling forward the total pension liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

	OPERS	OP&F	Total
Proportion of the Net Pension Liability:			
Current Measurement Period	0.017568%	0.035947%	
Prior Measurement Period	0.017659%	0.034662%	
Change in Proportion	<u>-0.000091%</u>	<u>0.001285%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 1,528,487	\$ 2,245,779	\$ 3,774,266
Pension Expense	\$ (279,697)	\$ 110,702	\$ (168,995)

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 77,920	\$ 64,754	\$ 142,674
Changes of Assumptions	191,136	410,428	601,564
Changes in Proportionate Share and Differences in Contributions	58,820	91,209	150,029
City Contributions Subsequent to the Measurement Date	368,057	198,996	567,053
Total Deferred Outflows of Resources	<u>\$ 695,933</u>	<u>\$ 765,387</u>	<u>\$ 1,461,320</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 33,524	\$ 116,748	\$ 150,272
Net Difference between Projected and Actual	1,818,078	588,806	2,406,884
Changes in Proportionate Share and Differences in Contributions	66,835	144,229	211,064
Total Deferred Inflows of Resources	<u>\$ 1,918,437</u>	<u>\$ 849,783</u>	<u>\$ 2,768,220</u>

\$567,053 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Year Ending December 31:	OPERS	OP&F	Total
2023	\$ (245,250)	\$ (34,807)	\$ (280,057)
2024	(628,593)	(178,397)	(806,990)
2025	(427,503)	(77,419)	(504,922)
2026	(289,215)	(47,294)	(336,509)
2027	-	54,525	54,525
Total	<u>\$ (1,590,561)</u>	<u>\$ (283,392)</u>	<u>\$ (1,873,953)</u>

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the value 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, 2021, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2 percent down to 6.9 percent, for the defined benefit investments. Key actuarial assumptions and methods used in the latest actuarial valuation, prepared as of December 31, 2021, reflecting experience study results, are presented below:

	<u>OPERS Traditional Plan</u>
Wage Inflation	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.00 percent, simple
Post-January 7, 2013 Retirees	3.00 percent, simple through 2022, then 2.05 percent, simple
Investment Rate of Return	6.90 percent
Actuarial Cost Method	Individual Entry Age

Key actuarial assumptions and methods used in the prior actuarial valuation, prepared as of December 31, 2020, are presented below:

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

	<u>OPERS Traditional Plan</u>
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.00 percent, simple
Post-January 7, 2013 Retirees	0.50 percent, simple through 2021, then 2.15 percent, simple
Investment Rate of Return	7.20 percent
Actuarial Cost Method	Individual Entry Age

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

For 2020, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 15.3 percent for 2021.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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 geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Geometric)</u>
Fixed Income	24.00%	1.03%
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other investments	4.00	2.85
Total	<u>100.00%</u>	<u>4.21%</u>

Discount Rate The discount rate used to measure the total pension liability for the current year was 6.9 percent. The discount rate for the prior year was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 6.9 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 (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 4,029,924	\$ 1,528,487	\$ (553,041)

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered are: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2021, are presented below.

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.50 percent
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.50 percent
Cost of Living Adjustments	2.20 percent simple per year

In February 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for the 2020 measurement period to 7.5 percent for the 2021 measurement period.

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

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2021, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	21.00	3.60
Non-US Equity	14.00	4.40
Private Markets	8.00	6.80
Core Fixed Income *	23.00	1.10
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.80
Midstream Energy Infrastructure	5.00	5.00
Real Assets	8.00	5.90
Gold	5.00	2.40
Private Real Estate	12.00	4.80
	125.00 %	

Note: Assumptions are geometric.

* levered 2x

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net Pension Liability	\$ 3,330,432	\$ 2,245,779	\$ 1,342,497

NOTE 11 -- DEFINED BENEFIT OPEB PLANS

Net OPEB Liability (Asset)

See Note 10 for a description of the net OPEB liability (asset).

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75 percent of the base allowance.

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension must have twenty or more years of qualifying Ohio service credit with a minimum age of 60. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who became eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, OPERS did not allocate any employer contribution to health care for members. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2022 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City had no contractually required contribution for 2022.

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

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

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

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2022, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$5,035 for 2022. Of this amount, \$388 is reported as an intergovernmental payable.

Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2021, and was determined by rolling forward the total OPEB liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Period	0.016553%	0.0359473%	
Prior Measurement Period	0.016604%	0.0346619%	
Change in Proportion	-0.000051%	0.0012854%	
Proportionate Share of the Net			
OPEB Liability (Asset)	\$ (518,465)	\$ 394,014	
OPEB Expense	\$ (454,883)	\$ 11,111	\$ (443,772)

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ -	\$ 17,924	\$ 17,924
Changes of Assumptions	-	174,401	174,401
Changes in Proportionate Share and Differences in Contributions	17,640	10,374	28,014
City Contributions Subsequent to the Measurement Date	-	5,035	5,035
Total Deferred Outflows of Resources	<u>\$ 17,640</u>	<u>\$ 207,734</u>	<u>\$ 225,374</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 78,643	\$ 52,075	\$ 130,718
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	247,165	35,593	282,758
Changes of Assumptions	209,869	45,762	255,631
Changes in Proportionate Share and Differences in Contributions	16,421	70,618	87,039
Total Deferred Inflows of Resources	<u>\$ 552,098</u>	<u>\$ 204,048</u>	<u>\$ 756,146</u>

\$5,035 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction/addition of the net OPEB liability (asset) in 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2023	\$ (329,774)	\$ (5,171)	\$ (334,945)
2024	(115,182)	(10,455)	(125,637)
2025	(54,004)	(5,438)	(59,442)
2026	(35,498)	2,875	(32,623)
2027	-	7,821	7,821
Thereafter	-	9,019	9,019
Total	<u>\$ (534,458)</u>	<u>\$ (1,349)</u>	<u>\$ (535,807)</u>

Actuarial Assumptions – OPERS

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions. The actuarial valuation used for 2021 compared to those used for 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Wage Inflation	2.75 percent	3.25 percent
Projected Salary Increases,	2.75 to 10.75 percent	3.25 to 10.75 percent
	including wage inflation	including wage inflation
Single Discount Rate	6.00 percent	6.00 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	1.84 percent	2.00 percent
Health Care Cost Trend Rate	5.50 percent, initial	8.50 percent, initial
	3.50 percent, ultimate in 2034	3.50 percent, ultimate in 2035
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

For 2020, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above-described tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 14.3 percent for 2021.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00%	0.91%
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other investments	7.00	1.93
Total	100.00%	3.45%

Discount Rate A single discount rate of 6.0 percent was used to measure the total OPEB liability on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 1.84 percent (Fidelity Index's "20-Year Municipal GO AA Index"). The projection of cash flows used to determine this single discount rate assumed that employer

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City's Proportionate Share of the Net OPEB (Asset) to Changes in the Discount Rate

The following table presents the City's proportionate share of the net OPEB (asset) calculated using the single discount rate of 6.00 percent, as well as what the City's proportionate share of the net OPEB (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net OPEB (Asset)	\$ (304,906)	\$ (518,465)	\$ (695,723)

Sensitivity of the City's Proportionate Share of the Net OPEB (Asset) to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB (asset). The following table presents the net OPEB (asset) calculated using the assumed trend rates, and the expected net OPEB (asset) if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB (Asset)	\$ (524,068)	\$ (518,465)	\$ (511,819)

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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

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

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

Valuation Date	January 1, 2021, with Actuarial Liabilities Rolled Forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.50 Percent
Projected Salary Increases	3.75 Percent to 10.50 Percent
Payroll Growth	3.25 Percent
Blended Discount Rate:	
Current Measurement Date	2.84 Percent
Prior Measurement Date	2.96 Percent
Cost of Living Adjustments	2.20 Percent Simple per Year

In February 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for the 2020 measurement period to 7.5 percent for the 2021 measurement period.

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

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2021, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	- %
Domestic Equity	21.00	3.60
Non-US Equity	14.00	4.40
Private Markets	8.00	6.80
Core Fixed Income *	23.00	1.10
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds *	17.00	0.80
Midstream Energy Infrastructure	5.00	5.00
Real Assets	8.00	5.90
Gold	5.00	2.40
Private Real Estate	12.00	4.80
	125.00 %	

Note: Assumptions are geometric.

* levered 2x

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Discount Rate For 2021, the total OPEB liability was calculated using the discount rate of 2.84 percent. For 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 7.5 percent. Based on those assumptions, OP&F’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.05 percent at December 31, 2021, and 2.12 percent at December 31, 2020, was blended with the long-term rate of 7.5 percent for 2021 and 8 percent for 2020, which resulted in a blended discount rate of 2.84 percent for 2021 and 2.96 percent for 2020. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 2.84 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.84 percent), or one percentage point higher (3.84 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$ 495,284	\$ 394,014	\$ 310,769

NOTE 12 -- CONTINGENT LIABILITIES

Federal and State Grants

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

Litigation

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

Encumbrances

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the City’s general fund had outstanding encumbrances of \$4,039 and parks and recreation fund had no outstanding encumbrances.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 13 -- FUND BALANCE

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

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

	General Fund	Parks and Recreation Fund	Capital Improvements Fund	Other Governmental Funds	Total
Nonspendable for:					
Inventory	\$ 1,886	\$ 25,926	\$ -	\$ 54,466	\$ 82,278
Restricted for:					
Capital Projects	-	-	555,302	-	555,302
Street Maintenance and Repair	-	-	-	463,646	463,646
Indigent Drivers Fund	-	-	-	360,079	360,079
Computer Legal Research	-	-	-	148,346	148,346
CDBG Revolving Loan	-	-	-	469,313	469,313
Special Projects	-	-	-	138,538	138,538
Other Purposes	-	-	-	273,942	273,942
Total Restricted	-	-	555,302	1,853,864	2,409,166
Committed to:					
Parks and Recreation	-	346,885	-	-	346,885
Assigned for:					
Encumbrances	4,039	-	-	-	4,039
Subsequent Year Appropriations	593,744	-	-	-	593,744
Total Assigned	597,783	-	-	-	597,783
Unassigned	214,272	-	-	-	214,272
Total Fund Balance	\$ 813,941	\$ 372,811	\$ 555,302	\$ 1,908,330	\$ 3,650,384

NOTE 14 -- TRANSFERS

Interfund transfers for the year ended December 31, 2022, consisted of the following:

Fund	Transfers In	Transfers Out
General	\$ -	\$ 14,313
Capital Improvement Fund	492,715	-
Water	-	478,402
	<u>\$ 492,715</u>	<u>\$ 492,715</u>

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

In the year ended December 31, 2022, the City made transfers of \$478,402 from the water fund to the capital improvements fund to subsidize, in part, the Ohio Water Development Authority (OWDA) debt service payments. In the past, OWDA loans were financed by City income tax. The general fund transferred \$14,313 to the capital improvement fund to assist in debt payments. Business-Type Activities transferred \$10,339 in capital assets to Governmental Activities.

NOTE 15 – ASSET RETIREMENT OBLIGATION

State and federal laws and regulations require the City to go through a decommissioning process if the wastewater treatment facility was to close. Through the decommissioning process, the City would be responsible for remediating any public safety issues associated with the wastewater treatment facility. The asset retirement obligation associated with the City's wastewater treatment facility cannot be estimated at this time.

NOTE 16 – SUBSEQUENT EVENT

In January, 2023 the City switched from being self-insured to purchasing insurance coverage for employee health insurance.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
City's Proportion of the Net Pension Liability	0.017568%	0.017659%	0.017589%	0.018063%
City's Proportionate Share of the Net Pension Liability	\$ 1,528,487	\$ 2,614,913	\$ 3,476,585	\$ 4,947,089
City's Covered Payroll	\$ 2,553,100	\$ 2,487,107	\$ 2,474,707	\$ 2,439,729
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	59.87%	105.14%	140.48%	202.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.62%	86.88%	82.17%	74.70%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
City's Proportion of the Net Pension Liability	0.035947%	0.034662%	0.037060%	0.036872%
City's Proportionate Share of the Net Pension Liability	\$ 2,245,779	\$ 2,362,933	\$ 2,496,532	\$ 3,009,730
City's Covered Payroll	\$ 973,614	\$ 898,716	\$ 984,551	\$ 888,914
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	230.66%	262.92%	253.57%	338.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.03%	70.65%	69.89%	63.07%

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

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

See accompanying notes to the required supplementary information.

	2018	2017	2016	2015	2014
	0.017586%	0.018397%	0.017668%	0.017205%	0.017205%
\$	2,758,880	\$ 4,177,704	\$ 3,060,320	\$ 2,075,115	\$ 2,028,245
\$	2,323,979	\$ 2,378,225	\$ 2,199,000	\$ 2,109,300	\$ 2,523,477
	118.71%	175.66%	139.17%	98.38%	80.38%
	84.66%	77.25%	81.08%	86.45%	86.36%
	0.036986%	0.040142%	0.038826%	0.039361%	0.039361%
\$	2,270,023	\$ 2,542,554	\$ 2,497,710	\$ 2,039,059	\$ 1,916,999
\$	863,512	\$ 906,791	\$ 825,885	\$ 949,332	\$ 827,098
	262.88%	280.39%	302.43%	214.79%	231.77%
	70.91%	68.36%	66.77%	72.20%	73.00%

See accompanying notes to the required supplementary information.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 368,057	\$ 357,434	\$ 348,195	\$ 346,459
Contributions in Relation to the Contractually Required Contribution	<u>(368,057)</u>	<u>(357,434)</u>	<u>(348,195)</u>	<u>(346,459)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 2,628,979	\$ 2,553,100	\$ 2,487,107	\$ 2,474,707
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 198,996	\$ 192,787	\$ 178,254	\$ 194,772
Contributions in Relation to the Contractually Required Contribution	<u>(198,996)</u>	<u>(192,787)</u>	<u>(178,254)</u>	<u>(194,772)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,006,998	\$ 973,614	\$ 898,716	\$ 984,551
Contributions as a Percentage of Covered Payroll	19.76%	19.80%	19.83%	19.78%

See accompanying notes to the required supplementary information.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 341,562	\$ 302,117	\$ 285,387	\$ 263,880	\$ 253,116	\$ 328,052
<u>(341,562)</u>	<u>(302,117)</u>	<u>(285,387)</u>	<u>(263,880)</u>	<u>(253,116)</u>	<u>(328,052)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,439,729	\$ 2,323,979	\$ 2,378,225	\$ 2,199,000	\$ 2,109,300	\$ 2,523,477
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
\$ 175,767	\$ 170,725	\$ 178,965	\$ 163,115	\$ 164,723	\$ 137,644
<u>(175,767)</u>	<u>(170,725)</u>	<u>(178,965)</u>	<u>(163,115)</u>	<u>(164,723)</u>	<u>(137,644)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 888,914	\$ 863,512	\$ 906,791	\$ 825,885	\$ 949,332	\$ 827,098
19.77%	19.77%	19.74%	19.75%	17.35%	16.64%

See accompanying notes to the required supplementary information.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
City's Proportion of the Net OPEB Liability (Asset)	0.016553%	0.016604%	0.016540%	0.016987%
City's Proportionate Share of the Net OPEB Liability (Asset)	\$ (518,465)	\$ (295,814)	\$ 2,284,604	\$ 2,214,704
City's Covered Payroll	\$ 2,553,100	\$ 2,487,107	\$ 2,474,707	\$ 2,439,729
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-20.31%	-11.89%	92.32%	90.78%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	128.23%	115.57%	47.80%	46.33%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
City's Proportion of the Net OPEB Liability	0.035947%	0.034662%	0.037060%	0.036872%
City's Proportionate Share of the Net OPEB Liability	\$ 394,014	\$ 367,249	\$ 366,065	\$ 335,776
City's Covered Payroll	\$ 973,614	\$ 898,716	\$ 984,551	\$ 888,914
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	40.47%	40.86%	37.18%	37.77%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.86%	45.42%	47.08%	46.57%

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

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

See accompanying notes to the required supplementary information.

	2018		2017
	0.016837%		0.017613%
\$	1,828,355	\$	1,778,973
\$	2,323,979	\$	2,378,225
	78.67%		74.80%
	54.14%		54.04%
	0.036986%		0.040142%
\$	2,095,597	\$	1,905,450
\$	863,512	\$	906,791
	242.68%		210.13%
	14.13%		15.96%

See accompanying notes to the required supplementary information.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll (1)	\$ 2,628,979	\$ 2,553,100	\$ 2,487,107	\$ 2,474,707
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 5,035	\$ 4,868	\$ 4,494	\$ 4,923
Contributions in Relation to the Contractually Required Contribution	<u>(5,035)</u>	<u>(4,868)</u>	<u>(4,494)</u>	<u>(4,923)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,006,998	\$ 973,614	\$ 898,716	\$ 984,551
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

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

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

See accompanying notes to the required supplementary information.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ -	\$ 23,240	\$ 47,564	n/a	n/a	n/a
<u>-</u>	<u>(23,240)</u>	<u>(47,564)</u>	n/a	n/a	n/a
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	n/a	n/a	n/a
\$ 2,439,729	\$ 2,323,979	\$ 2,378,225	n/a	n/a	n/a
0.00%	1.00%	2.00%	n/a	n/a	n/a
\$ 4,445	\$ 4,318	\$ 4,534	\$ 4,130	\$ 64,121	\$ 68,188
<u>(4,445)</u>	<u>(4,318)</u>	<u>(4,534)</u>	<u>(4,130)</u>	<u>(64,121)</u>	<u>(68,188)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 888,914	\$ 863,512	\$ 906,791	\$ 825,885	\$ 949,332	\$ 827,098
0.50%	0.50%	0.50%	0.50%	6.80%	8.24%

See accompanying notes to the required supplementary information.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2022

NOTE 1 - NET PENSION LIABILITY

Changes in Assumptions – OPERS

Amounts reported incorporate changes in discount rate used in calculating the total pension liability as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Discount Rate	6.90%	7.20%	7.20%	7.50%	8.00%

Calendar year 2017 reflects an adjustment of the rates of withdrawal, disability, retirement and mortality to more closely reflect actual experience. The expectation of retired life mortality was based on RP-2014 Healthy Annuitant mortality table and RP-2014 Disabled mortality table. Wage inflation rate was also reduced from 3.25 percent to 2.75 percent.

Changes in Benefit Terms – OPERS

In October 2020, the OPERS Board adopted a change in COLA for post-January 7, 2013 retirees, changing it from 1.40 percent simple through 2020 then 2.15 simple to 0.5 percent simple through 2021 then 2.15 percent simple.

In October 2019, the OPERS Board adopted a change in COLA for post-January 7, 2013 retirees, changing it from 3.00 percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 then 2.15 percent simple.

Changes in Assumptions – OP&F

For 2021, the single discount rate changed from 8.00 percent to 7.50 percent.

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

Changes in Benefit Terms – OP&F

No significant changes in benefit terms.

NOTE 2 - NET OPEB LIABILITY (ASSET)

Changes in Assumptions - OPERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2022

<u>Assumption</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Discount Rate	6.00%	6.00%	3.16%	3.96%	3.85%	4.23%
Municipal Bond Rate	1.84%	2.00%	2.75%	3.71%	3.31%	n/a
Health Care Cost Trend Rate	5.50%	8.50%	10.50%	10.00%	7.50%	n/a

For calendar year 2019, the investment rate of return decreased from 6.50 percent to 6.00 percent.

Changes in Benefit Terms – OPERS

For calendar year 2022, the cost of living adjustments decreased from 2.20 percent simple to 2.05 percent simple.

For calendar year 2021, the cost of living adjustments decreased from 3.00 percent simple to 2.20 percent simple.

Changes in Assumptions – OP&F

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

<u>Assumption</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Discount Rate	2.84%	2.96%	3.56%	4.66%	3.24%	3.79%
Municipal Bond Rate	2.05%	2.12%	2.75%	4.13%	3.16%	n/a

Changes in Benefit Terms – OP&F

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

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

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

Financial Highlights

Key financial highlights for 2021 are as follows:

- In total, net position increased \$561,669 from 2020 restated balances. Net position of governmental activities increased \$961,081. Net position of business-type activities decreased \$399,412.
- Total capital assets decreased \$1,278,291 in 2021 from restated balances. Capital assets of governmental activities decreased \$831,240 and capital assets of business-type activities decreased \$447,051.
- OPERS approved several changes to the health care plan offered to retirees in an effort to decrease costs and increase the solvency of the health care plan. These changes significantly decreased the total OPEB liability for OPERS and resulted in the County reporting a net OPEB asset in 2021 (compared to reporting a net OPEB liability in prior years) causing a significant decrease in expenses.

Using this Annual Financial Report

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

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2021 and how they affected the operations of the City as a whole.

Reporting the City of Upper Sandusky as a Whole

Statement of Net Position and the Statement of Activities

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. In the case of the City of Upper Sandusky, the general fund, and capital improvements fund are the most significant funds. Business-type funds consist of the water, sewer and sanitation funds.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

A question typically asked about the City's finances "How did we do financially during 2021?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources and liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the City is divided into two distinct kinds of activities:

- **Governmental Activities** - Most of the City's programs and services are reported here, including general government, security of persons and property, public health, community development, leisure time activities, basic utility service, and transportation.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer and sanitation funds are reported as business activities.

Reporting the City of Upper Sandusky's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund and the capital improvement fund.

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

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

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

The City of Upper Sandusky as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2021 compared to 2020:

Table 1
Net Position

	Governmental Activities			Business-Type Activities		
	2021	Restated 2020	Change	2021	Restated 2020	Change
Assets						
Current & Other Assets	\$ 5,838,669	\$ 5,473,441	\$ 365,228	\$ 4,015,673	\$ 4,691,915	\$ (676,242)
Net Pension/OPEB Asset	168,614	-	168,614	127,200	-	127,200
Capital Assets	15,738,930	16,570,170	(831,240)	63,389,138	63,836,189	(447,051)
<i>Total Assets</i>	<u>21,746,213</u>	<u>22,043,611</u>	<u>(297,398)</u>	<u>67,532,011</u>	<u>68,528,104</u>	<u>(996,093)</u>
Deferred Outflows of Resources						
Pension & OPEB	893,875	1,094,696	(200,821)	256,747	423,817	(167,070)
Liabilities						
Current & Other Liabilities	741,748	242,770	498,978	182,315	210,270	(27,955)
Long-Term Liabilities:						
Due Within One Year	751,702	740,821	10,881	1,924,845	1,000,488	924,357
Due In More Than One Year:						
Net Pension Liability	3,853,434	4,443,420	(589,986)	1,124,412	1,529,697	(405,285)
Net OPEB Liability	367,249	1,645,443	(1,278,194)	-	1,005,226	(1,005,226)
Other Amounts	971,251	1,614,813	(643,562)	44,577,732	45,278,522	(700,790)
<i>Total Liabilities</i>	<u>6,685,384</u>	<u>8,687,267</u>	<u>(2,001,883)</u>	<u>47,809,304</u>	<u>49,024,203</u>	<u>(1,214,899)</u>
Deferred Inflows of Resources						
Property Taxes	305,000	324,519	(19,519)	-	-	-
Other	69,396	81,621	(12,225)	-	-	-
Pension & OPEB	1,811,837	1,237,510	574,327	961,846	510,698	451,148
<i>Total Deferred Inflows of Resources</i>	<u>2,186,233</u>	<u>1,643,650</u>	<u>542,583</u>	<u>961,846</u>	<u>510,698</u>	<u>451,148</u>
Net Investment in Capital Assets *	15,320,034	16,084,770	(764,736)	16,987,845	17,571,934	(584,089)
Restricted	1,869,814	1,790,971	78,843	-	-	-
Unrestricted (Deficit)	(3,421,377)	(5,068,351)	1,646,974	2,029,763	1,845,086	184,677
<i>Total Net Position</i>	<u>\$ 13,768,471</u>	<u>\$ 12,807,390</u>	<u>\$ 961,081</u>	<u>\$ 19,017,608</u>	<u>\$ 19,417,020</u>	<u>\$ (399,412)</u>

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

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2021 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement 27*. In a prior year, the City adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability(asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

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

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

Capital assets include land, buildings and improvements, machinery and equipment, vehicles, infrastructure and construction in progress. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

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

For business-type activities, Capital assets decrease as a result of the completion of the wastewater treatment plant project in addition to a restatement of capital assets resulting from a prior year calculation error and asset exclusions offset by current year depreciation. Long-term liabilities decreased primarily due to a decrease in OPEB liability related to OPERS changes previously discussed.

Current assets increased in governmental activities primarily due to an increase in cash from unearned revenue primarily as a result of American Rescue Plan Act (ARPA) revenues. Current and other liabilities increased in governmental activities primarily as a result of increased claims payable from several large claims incurred near the end of 2021. Current assets for cash decreased in business-type activities due to increased expenses for the completion of the new wastewater treatment plant project.

The addition of a net OPEB asset, significant decrease in net OPEB liability and increase in deferred inflows for OPEB is related to OPERS changes previously discussed in the financial highlights.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2021 and 2020.

Table 2
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2021	2020	Change	2021	2020	Change
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 1,105,246	\$ 916,514	\$ 188,732	\$ 6,097,150	\$ 5,795,007	\$ 302,143
Operating Grants	538,109	1,360,988	(822,879)	-	-	-
<i>Total Program Revenues</i>	<u>1,643,355</u>	<u>2,277,502</u>	<u>(634,147)</u>	<u>6,097,150</u>	<u>5,795,007</u>	<u>302,143</u>
General Revenues						
Property Taxes	281,367	354,135	(72,768)	-	-	-
Income Taxes	3,387,354	3,185,225	202,129	-	-	-
Grants & Entitlements	301,779	280,247	21,532	-	-	-
Other Local Taxes	71,023	48,467	22,556	-	-	-
Payments in Lieu of Taxes	70,952	81,499	(10,547)	-	-	-
Miscellaneous	234,469	541,156	(306,687)	65,255	44,102	21,153
<i>Total General Revenues</i>	<u>4,346,944</u>	<u>4,490,729</u>	<u>(143,785)</u>	<u>65,255</u>	<u>44,102</u>	<u>21,153</u>
<i>Total Revenues</i>	<u>5,990,299</u>	<u>6,768,231</u>	<u>(777,932)</u>	<u>6,162,405</u>	<u>5,839,109</u>	<u>323,296</u>
Program Expenses						
General Government	1,299,844	2,298,580	(998,736)	-	-	-
Security of Persons and Property	2,420,647	2,564,857	(144,210)	-	-	-
Public Health	30,751	28,208	2,543	-	-	-
Leisure Time Services	500,256	758,442	(258,186)	-	-	-
Community Development	14,634	169,717	(155,083)	-	-	-
Basic Utility Service	199,847	167,364	32,483	-	-	-
Transportation	956,589	898,062	58,527	-	-	-
Interest and Fiscal Charges	82,192	92,033	(9,841)	-	-	-
Enterprise Operations:						
Water	-	-	-	2,771,538	2,869,149	(97,611)
Sewer	-	-	-	2,578,755	1,604,537	974,218
Sanitation	-	-	-	735,982	928,336	(192,354)
<i>Total Expenses</i>	<u>5,504,760</u>	<u>6,977,263</u>	<u>(1,472,503)</u>	<u>6,086,275</u>	<u>5,402,022</u>	<u>684,253</u>
Transfers	475,542	411,111	64,431	(475,542)	(411,111)	(64,431)
<i>Total General Revenues and Transfers</i>	<u>4,822,486</u>	<u>4,901,840</u>	<u>(79,354)</u>	<u>(410,287)</u>	<u>(367,009)</u>	<u>(43,278)</u>
<i>Change in Net Position</i>	961,081	202,079	759,002	(399,412)	25,976	(425,388)
<i>Net Position Beginning of Year</i>	12,807,390	12,742,544	64,846	19,417,020	18,920,263	496,757
<i>Restatement, See Note 2</i>	-	(137,233)	137,233	-	470,781	(470,781)
<i>Net Position End of Year</i>	<u>\$ 13,768,471</u>	<u>\$ 12,807,390</u>	<u>\$ 823,848</u>	<u>\$ 19,017,608</u>	<u>\$ 19,417,020</u>	<u>\$ 71,369</u>

Governmental Activities

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

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

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

A city that is dependent upon municipal income taxes and property taxes that is hampered by a lack of revenue growth must regularly return to the voters to maintain a constant level of service. Municipal income taxes and property taxes made up most of the revenues for governmental activities in calendar year 2021. The decrease in operating grants is related to decreased COVID-19 relief grants that the City received in 2021 offset by the accounting of the new American Rescue Plan Act grant revenue. Miscellaneous revenue also decreased in 2021, primarily caused by refunds from the Ohio Bureau of Worker's Compensation received by the City in 2020.

See financial highlights for explanation of significant decrease in expenses.

Business-Type Activities

Business-type activities include water, sewer and sanitation operations. The revenues are generated primarily from charges for services. In 2021, charges for services of accounted for the majority of the business type revenues. Expenses in the sewer fund increased as a result of increases to contractual services in addition to increased depreciation expense resulting from the completion of the waste water treatment plant.

The City's Funds

Governmental Funds

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

The following table provides a summary of the City's fund balances by major fund for 2021 compared to 2020:

	Governmental Activities		
	Fund Balance	Fund Balance	Increase
	12/31/2021	12/31/2020	(Decrease)
General	\$ 1,238,190	\$ 1,355,631	\$ (117,441)
Capital Improvements	463,597	321,387	142,210
Other Governmental	2,102,598	2,151,223	(48,625)
<i>Total</i>	\$ 3,804,385	\$ 3,828,241	\$ (23,856)

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

The general fund is the chief operating fund of the City. The fund balance of the general fund decreased during the current fiscal year primarily due to increases in expenditures for general government and security of persons as a result of expenditures paid from the general fund that were paid from the coronavirus relief fund in 2020.

The fund balance of the capital improvement fund increased based on timing of resources compared to expenditures for projects.

Proprietary Funds

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

The following table provides a summary of the City's unrestricted net position by major proprietary fund for 2021 compared to 2020:

	Business-Type Activities		
	Unrestricted Net Position 12/31/2021	Unrestricted Net Position 12/31/2020	Increase (Decrease)
Water	\$ 209,987	\$ 94,956	\$ 115,031
Sewer	1,714,607	1,856,970	(142,363)
Sanitation	105,169	(106,840)	212,009
	\$ 2,029,763	\$ 1,845,086	\$ 184,677

Total change in net position for these funds was primarily due to fluctuations in net pension/OPEB liabilities which resulted in the elimination of OPEB liability and the addition of an OPEB asset. Other factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

General Fund Budgeting Highlights

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

During the course of 2021, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

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

Final Budget Compared to Actual Results The most significant differences between estimated revenues and actual revenues were that income taxes were higher than estimated due to the timing of collections.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

During the year, there were differences between the final budgeted appropriations and actual expenditures for general government and security of persons and property due to the current fiscal year expenditures that were paid out of the general fund that had been paid with coronavirus relief funding during 2020.

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

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities decreased in comparison with prior year-end as a result of depreciation exceeding the current year additions.

The City's investment in capital assets for its business-type activities decreased in comparison with prior year-end as a result of depreciation and deletions exceeding current year additions.

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

Debt

The City's governmental activities total debt decreased by current year principal payments offset slightly by the addition of a new lease.

The City's business-type activities total debt increased slightly as a result of OWDA loan proceeds offset by current year principal payments.

See Note 9 for additional details including information regarding the OWDA loan proceeds for the wastewater treatment plant upgrade projects.

Economic Factors

The City has seen a 2.3 percent decrease in 2020 over 2019 in income tax revenue with a 6.3 percent increase in 2021 over 2020. The decrease in 2020 tax revenue is reflective of the effects of the state of emergency declared in the first quarter of 2020. Subsequently, the increase in 2021 income tax revenue is a direct reflection to local business and industries return to operations. As in prior years we still rely heavily on the income tax revenue and will find it necessary to keep expenditures no higher than the 2020 level but as always provide basic services to its citizens.

Construction of the new wastewater treatment plant was completed in mid-December 2021. In an effort to cover the cost of this project, the City found it necessary in 2020, 2021, 2022 and 2023 to increase Sewer rates by one dollar (\$1.00) per 1000 gallons. In the month of April of each listed year the sewer rate was increased to cover the cost of the current wastewater treatment plant upgrades. There were no changes made to the water or sanitation rates. We continue to use rate studies to be sure we are keeping up with necessary increase in order to provide the services the citizens are accustomed.

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

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Nickie Coppler, Auditor of City of Upper Sandusky, 119 N. 7th Street, Upper Sandusky, Ohio 43351 or 419-294-3988.

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City of Upper Sandusky
Wyandot County, Ohio
Statement of Net Position
December 31, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 4,201,541	\$ 2,977,906	\$ 7,179,447
Cash and Investments in Segregated Accounts	11,166	-	11,166
Accounts Receivable	89,753	853,218	942,971
Intergovernmental Receivable	385,989	-	385,989
Taxes Receivable	868,766	-	868,766
Payments in Lieu of Taxes Receivable	69,396	-	69,396
Notes Receivable	189,559	-	189,559
Materials and Supplies Inventory	22,499	184,549	207,048
Net OPEB Asset	168,614	127,200	295,814
Non-Depreciable Capital Assets	708,200	301,949	1,010,149
Depreciable Capital Assets, Net	15,030,730	63,087,189	78,117,919
<i>Total Assets</i>	<u>21,746,213</u>	<u>67,532,011</u>	<u>89,278,224</u>
Deferred Outflows of Resources			
Pension	585,314	179,224	764,538
OPEB	308,561	77,523	386,084
<i>Total Deferred Outflows of Resources</i>	<u>893,875</u>	<u>256,747</u>	<u>1,150,622</u>
Liabilities			
Accounts Payable	77,409	128,744	206,153
Accrued Wages	58,914	22,119	81,033
Contracts Payable	-	17,785	17,785
Intergovernmental Payable	63,435	13,667	77,102
Accrued Interest Payable	829	-	829
Claims Payable	203,863	-	203,863
Unearned Revenue	337,298	-	337,298
Long-Term Liabilities:			
Due Within One Year	751,702	1,924,845	2,676,547
Due In More Than One Year:			
Net Pension Liability	3,853,434	1,124,412	4,977,846
Net OPEB Liability	367,249	-	367,249
Other Amounts Due in More Than One Year	971,251	44,577,732	45,548,983
<i>Total Liabilities</i>	<u>6,685,384</u>	<u>47,809,304</u>	<u>54,494,688</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	305,000	-	305,000
Payments in Lieu of Taxes	69,396	-	69,396
Pension	1,063,138	540,768	1,603,906
OPEB	748,699	421,078	1,169,777
<i>Total Deferred Inflows of Resources</i>	<u>2,186,233</u>	<u>961,846</u>	<u>3,148,079</u>
Net Position			
Net Investment in Capital Assets *	15,320,034	16,987,845	31,220,965
Restricted for:			
Capital Projects	499,817	-	499,817
Other Purposes	1,369,997	-	1,369,997
Unrestricted (Deficit)	(3,421,377)	2,029,763	(304,700)
<i>Total Net Position</i>	<u>\$ 13,768,471</u>	<u>\$ 19,017,608</u>	<u>\$ 32,786,079</u>

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

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Activities
For the Year Ended December 31, 2021

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government	\$ 1,299,844	\$ 1,031,085	\$ 7,750	\$ (261,009)	\$ -	\$ (261,009)
Security of Persons and Property	2,420,647	28,626	-	(2,392,021)	-	(2,392,021)
Public Health	30,751	-	-	(30,751)	-	(30,751)
Leisure Time Services	500,256	45,535	-	(454,721)	-	(454,721)
Community Development	14,634	-	6,307	(8,327)	-	(8,327)
Basic Utility Service	199,847	-	-	(199,847)	-	(199,847)
Transportation	956,589	-	524,052	(432,537)	-	(432,537)
Debt Service						
Interest and Fiscal Charges	82,192	-	-	(82,192)	-	(82,192)
<i>Total Governmental Activities</i>	<u>5,504,760</u>	<u>1,105,246</u>	<u>538,109</u>	<u>(3,861,405)</u>	<u>-</u>	<u>(3,861,405)</u>
Business-Type Activities						
Water	2,771,538	2,842,413	-	-	70,875	70,875
Sewer	2,578,755	2,399,603	-	-	(179,152)	(179,152)
Sanitation	735,982	855,134	-	-	119,152	119,152
<i>Total Business-Type Activities</i>	<u>6,086,275</u>	<u>6,097,150</u>	<u>-</u>	<u>-</u>	<u>10,875</u>	<u>10,875</u>
<i>Total</i>	<u>\$ 11,591,035</u>	<u>\$ 7,202,396</u>	<u>\$ 538,109</u>	<u>(3,861,405)</u>	<u>10,875</u>	<u>(3,850,530)</u>
General Revenues						
Property Taxes Levied for:						
General Purposes				281,367	-	281,367
Income Taxes Levied for:						
General Purposes				2,480,803	-	2,480,803
Capital Projects				388,521	-	388,521
Recreational Purposes				518,030	-	518,030
Grants and Entitlements not Restricted to Specific Programs				301,779	-	301,779
Other Local Taxes				71,023	-	71,023
Payments in Lieu of Taxes				70,952	-	70,952
Investment Earnings				6,527	-	6,527
Miscellaneous				227,942	65,255	293,197
<i>Total General Revenues</i>				<u>4,346,944</u>	<u>65,255</u>	<u>4,412,199</u>
Transfers				475,542	(475,542)	-
<i>Total General Revenues and Transfers</i>				<u>4,822,486</u>	<u>(410,287)</u>	<u>4,412,199</u>
<i>Change in Net Position</i>				961,081	(399,412)	561,669
<i>Net Position Beginning of Year (Restated, see Note 2)</i>				12,807,390	19,417,020	32,224,410
<i>Net Position End of Year</i>				<u>\$ 13,768,471</u>	<u>\$ 19,017,608</u>	<u>\$ 32,786,079</u>

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Balance Sheet
Governmental Funds
December 31, 2021

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 1,097,715	\$ 435,649	\$ 2,170,693	\$ 3,704,057
Cash and Investments in Segregated Accounts	10,478	-	-	10,478
Accounts Receivable	65,160	-	24,593	89,753
Intergovernmental Receivable	151,743	-	234,246	385,989
Taxes Receivable	721,959	61,232	85,575	868,766
Payments in Lieu of Taxes Receivable	-	69,396	-	69,396
Notes Receivable	-	-	189,559	189,559
Materials and Supplies Inventory	1,632	-	20,867	22,499
<i>Total Assets</i>	<u>\$ 2,048,687</u>	<u>\$ 566,277</u>	<u>\$ 2,725,533</u>	<u>\$ 5,340,497</u>
Liabilities				
Accounts Payable	\$ 46,641	\$ 3,800	\$ 23,765	\$ 74,206
Accrued Wages	50,047	-	8,867	58,914
Intergovernmental Payable	52,944	-	10,491	63,435
Unearned Revenue	-	-	337,298	337,298
<i>Total Liabilities</i>	<u>149,632</u>	<u>3,800</u>	<u>380,421</u>	<u>533,853</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	305,000	-	-	305,000
Payments in Lieu of Taxes for the Next Year	-	69,396	-	69,396
Unavailable Revenue	355,865	29,484	242,514	627,863
<i>Total Deferred Inflows of Resources</i>	<u>660,865</u>	<u>98,880</u>	<u>242,514</u>	<u>1,002,259</u>
Fund Balances				
Nonspendable	1,632	-	20,867	22,499
Restricted	-	463,597	1,787,911	2,251,508
Committed	-	-	293,820	293,820
Assigned	695,840	-	-	695,840
Unassigned	540,718	-	-	540,718
<i>Total Fund Balance</i>	<u>1,238,190</u>	<u>463,597</u>	<u>2,102,598</u>	<u>3,804,385</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 2,048,687</u>	<u>\$ 566,277</u>	<u>\$ 2,725,533</u>	<u>\$ 5,340,497</u>

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2021

Total Governmental Fund Balances		\$ 3,804,385
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		15,738,930
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	\$ 5,691	
Income Tax	265,476	
Intergovernmental	328,428	
Charges for Services	22,166	
Accounts Receivable	6,102	627,863
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		291,106
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(829)
The net pension liability and net OPEB liability are not due and payable in the current period, therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Net OPEB Asset	168,614	
Deferred Outflows - Pension	585,314	
Deferred Outflows - OPEB	308,561	
Net Pension Liability	(3,853,434)	
Net OPEB Liability	(367,249)	
Deferred Inflows - Pension	(1,063,138)	
Deferred Inflows - OPEB	(748,699)	(4,970,031)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(511,685)	
OPWC Loans	(241,045)	
OWDA Loans	(690,869)	
Leases	(62,211)	
Compensated Absences	(217,143)	(1,722,953)
<i>Net Position of Governmental Activities</i>		\$ 13,768,471

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 349,073	\$ -	\$ -	\$ 349,073
Income Taxes	2,470,249	386,743	515,659	3,372,651
Other Local Taxes	51,019	-	20,004	71,023
Payments in Lieu of Taxes	-	70,952	-	70,952
Charges for Services	58,425	-	45,535	103,960
Licenses and Permits	87,710	-	-	87,710
Fines and Forfeitures	621,874	-	291,748	913,622
Intergovernmental	297,455	-	509,758	807,213
Interest	6,527	-	6,307	12,834
Contributions and Donations	4,215	-	3,535	7,750
Other	86,425	92,887	47,321	226,633
<i>Total Revenues</i>	<u>4,032,972</u>	<u>550,582</u>	<u>1,439,867</u>	<u>6,023,421</u>
Expenditures				
Current:				
General Government	1,752,963	-	288,730	2,041,693
Security of Persons and Property	2,187,474	26,608	267,741	2,481,823
Public Health	30,751	-	-	30,751
Leisure Time Services	4,008	33,234	530,321	567,563
Community Development	64,526	-	6,465	70,991
Basic Utility Service	-	199,847	-	199,847
Transportation	-	84,103	392,500	476,603
Debt Service:				
Principal Retirement	85,088	525,213	-	610,301
Interest and Fiscal Charges	10,953	70,410	-	81,363
<i>Total Expenditures</i>	<u>4,135,763</u>	<u>939,415</u>	<u>1,485,757</u>	<u>6,560,935</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(102,791)</u>	<u>(388,833)</u>	<u>(45,890)</u>	<u>(537,514)</u>
Other Financing Sources (Uses)				
Inception of Lease	-	41,187	-	41,187
Transfers In	-	489,856	-	489,856
Transfers Out	(14,314)	-	-	(14,314)
<i>Total Other Financing Sources (Uses)</i>	<u>(14,314)</u>	<u>531,043</u>	<u>-</u>	<u>516,729</u>
<i>Net Change in Fund Balances</i>	(117,105)	142,210	(45,890)	(20,785)
<i>Fund Balances Beginning of Year</i>	1,355,631	321,387	2,151,223	3,828,241
Change in Reserve for Inventory	(336)	-	(2,735)	(3,071)
<i>Fund Balances End of Year</i>	<u>\$ 1,238,190</u>	<u>\$ 463,597</u>	<u>\$ 2,102,598</u>	<u>\$ 3,804,385</u>

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2021

Net Change in Fund Balances - Total Governmental Funds		\$ (20,785)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 83,894	
Current Year Depreciation	<u>(904,059)</u>	(820,165)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(11,075)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	528	
Income Tax	(53,531)	
Intergovernmental	18,618	
Charges for Services	(46)	
Accounts Receivable	<u>1,309</u>	(33,122)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities they are reported as an expense when consumed.		
		(3,071)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	108,611	
OPWC Loans	24,700	
OWDA Loans	434,813	
Lease	<u>42,177</u>	610,301
Inception of lease in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
		(41,187)
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable		(829)
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	396,525	
OPEB	<u>4,868</u>	401,393
Except for amount reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(156,383)	
OPEB	<u>1,016,636</u>	860,253
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		(44,199)
Some expenses reported in the statement of activities, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated Absences		<u>63,567</u>
<i>Change in Net Position of Governmental Activities</i>		<u>\$ 961,081</u>
See accompanying notes to the basic financial statements.		

City of Upper Sandusky
Wyandot County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 229,551	\$ 295,551	\$ 349,073	\$ 53,522
Income Taxes	2,280,000	2,215,500	2,471,569	256,069
Other Local Taxes	50,000	50,000	52,360	2,360
Charges for Services	51,792	51,792	58,425	6,633
Licenses and Permits	84,700	84,700	87,686	2,986
Fines and Forfeitures	625,500	643,250	626,288	(16,962)
Intergovernmental	274,999	274,999	294,842	19,843
Interest	82,000	82,000	6,527	(75,473)
Contributions and Donations	-	-	4,215	4,215
Other	28,000	45,000	96,717	51,717
<i>Total Revenues</i>	<u>3,706,542</u>	<u>3,742,792</u>	<u>4,047,702</u>	<u>304,910</u>
Expenditures				
Current:				
General Government	1,819,085	1,911,720	1,743,785	167,935
Security of Persons and Property	2,273,000	2,322,500	2,174,280	148,220
Public Health	29,000	31,000	30,751	249
Leisure Time Services	-	-	4,008	(4,008)
Community Development	121,750	81,000	66,080	14,920
Debt Service:				
Principal Retirement	85,000	85,000	85,088	(88)
Interest and Fiscal Charges	9,200	9,200	10,953	(1,753)
<i>Total Expenditures</i>	<u>4,337,035</u>	<u>4,440,420</u>	<u>4,114,945</u>	<u>325,475</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(630,493)</u>	<u>(697,628)</u>	<u>(67,243)</u>	<u>630,385</u>
Other Financing (Uses)				
Transfers Out	(13,900)	(13,900)	(14,314)	(414)
<i>Total Other Financing Sources (Uses)</i>	<u>(13,900)</u>	<u>(13,900)</u>	<u>(14,314)</u>	<u>(414)</u>
<i>Net Change in Fund Balance</i>	(644,393)	(711,528)	(81,557)	629,971
<i>Fund Balance Beginning of Year</i>	1,111,417	1,111,417	1,111,417	-
Prior Year Encumbrances Appropriated	50,872	50,872	50,872	-
<i>Fund Balance End of Year</i>	<u>\$ 517,896</u>	<u>\$ 450,761</u>	<u>\$ 1,080,732</u>	<u>\$ 629,971</u>

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2021

	Enterprise Funds				Governmental Activities
	Water	Sewer	Sanitation	Total	Internal Service Fund
Assets					
<i>Current Assets:</i>					
Equity in Pooled Cash and Investments	\$ 556,010	\$ 1,960,777	\$ 461,119	\$ 2,977,906	\$ 497,484
Cash and Investments in Segregated Accounts	-	-	-	-	688
Accounts Receivable	380,523	350,871	121,824	853,218	-
Materials and Supplies Inventory	163,348	17,058	4,143	184,549	-
<i>Total Current Assets</i>	<u>1,099,881</u>	<u>2,328,706</u>	<u>587,086</u>	<u>4,015,673</u>	<u>498,172</u>
<i>Non-Current Assets:</i>					
Net OPEB Asset	56,205	41,414	29,581	127,200	-
Non-Depreciable Capital Assets	42,400	259,549	-	301,949	-
Depreciable Capital Assets, Net	24,546,239	38,204,573	336,377	63,087,189	-
<i>Total Non-Current Assets</i>	<u>24,644,844</u>	<u>38,505,536</u>	<u>365,958</u>	<u>63,516,338</u>	<u>-</u>
<i>Total Assets</i>	<u>25,744,725</u>	<u>40,834,242</u>	<u>953,044</u>	<u>67,532,011</u>	<u>498,172</u>
Deferred Outflows of Resources					
Pension	67,912	75,570	35,742	179,224	-
OPEB	27,848	35,115	14,560	77,523	-
<i>Total Deferred Outflows of Resources</i>	<u>95,760</u>	<u>110,685</u>	<u>50,302</u>	<u>256,747</u>	<u>-</u>
Liabilities					
<i>Current Liabilities:</i>					
Accounts Payable	49,176	51,077	28,491	128,744	3,203
Accrued Wages	9,422	7,608	5,089	22,119	-
Contracts Payable	-	17,785	-	17,785	-
Intergovernmental Payable	6,366	4,579	2,722	13,667	-
Claims Payable	-	-	-	-	203,863
Compensated Absences Payable	24,699	28,912	9,864	63,475	-
OPWC Loans Payable	42,093	45,000	-	87,093	-
OWDA Loans Payable	518,614	1,255,663	-	1,774,277	-
<i>Total Current Liabilities</i>	<u>650,370</u>	<u>1,410,624</u>	<u>46,166</u>	<u>2,107,160</u>	<u>207,066</u>
<i>Long-Term Liabilities:</i>					
Compensated Absences Payable - Net of Current Portion	26,654	18,702	10,238	55,594	-
OPWC Loans Payable - Net of Current Portion	938,761	697,500	-	1,636,261	-
OWDA Loans Payable - Net of Current Portion	12,449,826	30,436,051	-	42,885,877	-
Net Pension Liability	496,833	366,088	261,491	1,124,412	-
<i>Total Long-Term Liabilities</i>	<u>13,912,074</u>	<u>31,518,341</u>	<u>271,729</u>	<u>45,702,144</u>	<u>-</u>
<i>Total Liabilities</i>	<u>14,562,444</u>	<u>32,928,965</u>	<u>317,895</u>	<u>47,809,304</u>	<u>207,066</u>
Deferred Inflows of Resources					
Pension	241,311	160,903	138,554	540,768	-
OPEB	187,398	128,329	105,351	421,078	-
<i>Total Deferred Inflows of Resources</i>	<u>428,709</u>	<u>289,232</u>	<u>243,905</u>	<u>961,846</u>	<u>-</u>
Net Position					
Net Investment in Capital Assets	10,639,345	6,012,123	336,377	16,987,845 *	-
Unrestricted (Deficit)	209,987	1,714,607	105,169	2,029,763	291,106
<i>Total Net Position</i>	<u>\$ 10,849,332</u>	<u>\$ 7,726,730</u>	<u>\$ 441,546</u>	<u>\$ 19,017,608</u>	<u>\$ 291,106</u>

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

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2021

	Enterprise				Governmental Activities
	Water	Sewer	Sanitation	Total	Internal Service Fund
Operating Revenues					
Charges for Services	\$ 2,842,413	\$ 2,399,603	\$ 855,134	\$ 6,097,150	\$ 1,614,391
Other	31,868	8,817	24,570	65,255	-
<i>Total Operating Revenues</i>	<u>2,874,281</u>	<u>2,408,420</u>	<u>879,704</u>	<u>6,162,405</u>	<u>1,614,391</u>
Operating Expenses					
Personal Services	348,516	311,832	273,474	933,822	-
Contractual Services	614,964	606,645	277,302	1,498,911	461,442
Materials and Supplies	339,830	195,804	107,929	643,563	-
Claims	-	-	-	-	1,196,736
Depreciation	1,032,084	902,382	68,287	2,002,753	-
Other	9,436	8,990	8,990	27,416	412
<i>Total Operating Expenses</i>	<u>2,344,830</u>	<u>2,025,653</u>	<u>735,982</u>	<u>5,106,465</u>	<u>1,658,590</u>
<i>Operating Income (Loss)</i>	<u>529,451</u>	<u>382,767</u>	<u>143,722</u>	<u>1,055,940</u>	<u>(44,199)</u>
Non-Operating (Expenses)					
Loss on Disposal of Capital Assets	(756)	(471,381)	-	(472,137)	-
Interest	(425,952)	(81,721)	-	(507,673)	-
<i>Total Non-Operating (Expenses)</i>	<u>(426,708)</u>	<u>(553,102)</u>	<u>-</u>	<u>(979,810)</u>	<u>-</u>
<i>Income (Loss) Before Transfers</i>	102,743	(170,335)	143,722	76,130	(44,199)
Transfers Out	(475,542)	-	-	(475,542)	-
<i>Change in Net Position</i>	(372,799)	(170,335)	143,722	(399,412)	(44,199)
<i>Net Position Beginning of Year (Restated, see Note 2)</i>	<u>11,222,131</u>	<u>7,897,065</u>	<u>297,824</u>	<u>19,417,020</u>	<u>335,305</u>
<i>Net Position End of Year</i>	<u>\$ 10,849,332</u>	<u>\$ 7,726,730</u>	<u>\$ 441,546</u>	<u>\$ 19,017,608</u>	<u>\$ 291,106</u>

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021

	Enterprise Funds				Governmental Activities
	Water	Sewer	Sanitation	Total	Internal Service Fund
Cash Flows from Operating Activities					
Cash Received from Customers	\$ 2,837,669	\$ 2,378,990	\$ 865,973	\$ 6,082,632	\$ 1,614,391
Cash Received from Other Operating Receipts	31,868	8,817	24,936	65,621	-
Cash Payments to Suppliers for Goods and Services	(355,493)	(184,891)	(103,897)	(644,281)	-
Cash Payments to Employees for Services and Benefits	(774,779)	(582,848)	(499,392)	(1,857,019)	-
Cash Payments for Contractual Services	(588,031)	(608,461)	(256,881)	(1,453,373)	(461,652)
Cash Payments for Claims	-	-	-	-	(1,088,976)
Other Cash Payments	(9,436)	(8,990)	(8,990)	(27,416)	(412)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,141,798</u>	<u>1,002,617</u>	<u>21,749</u>	<u>2,166,164</u>	<u>63,351</u>
Cash Flows from Noncapital Financing Activities					
Transfers Out	(475,542)	-	-	(475,542)	-
<i>Net Cash Provided by (Used for)</i> <i>Noncapital Financing Activities</i>	<u>(475,542)</u>	<u>-</u>	<u>-</u>	<u>(475,542)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities					
Proceeds of OWDA Loans	-	2,075,240	-	2,075,240	-
Acquisition of Capital Assets	-	(2,123,856)	-	(2,123,856)	-
Principal Payments on Debt	(545,010)	(1,297,173)	-	(1,842,183)	-
Interest Payments on Debt	(425,952)	(81,721)	-	(507,673)	-
<i>Net Cash Provided by (Used for) Capital and</i> <i>Related Financing Activities</i>	<u>(970,962)</u>	<u>(1,427,510)</u>	<u>-</u>	<u>(2,398,472)</u>	<u>-</u>
<i>Net Increase (Decrease) in Cash and Investments</i>	(304,706)	(424,893)	21,749	(707,850)	63,351
<i>Cash and Investments Beginning of Year</i>	860,716	2,385,670	439,370	3,685,756	434,821
<i>Cash and Investments End of Year</i>	<u>\$ 556,010</u>	<u>\$ 1,960,777</u>	<u>\$ 461,119</u>	<u>\$ 2,977,906</u>	<u>\$ 498,172</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating Income (Loss)	\$ 529,451	\$ 382,767	\$ 143,722	\$ 1,055,940	\$ (44,199)
Adjustments:					
Depreciation	1,032,084	902,382	68,287	2,002,753	-
(Increase) Decrease in Assets and Deferred Outflows:					
Accounts Receivable	(4,744)	(20,613)	11,205	(14,152)	-
Materials and Supplies Inventory	(15,663)	(1,793)	-	(17,456)	-
Net OPEB Asset	(56,205)	(41,414)	(29,581)	(127,200)	-
Deferred Outflows - Pension/OPEB	105,334	9,811	51,925	167,070	-
Increase (Decrease) in Liabilities and Deferred Inflows:					
Accounts Payable	26,933	10,890	24,453	62,276	(210)
Accrued Wages	2,003	1,704	1,275	4,982	-
Intergovernmental Payable	355	404	45	804	-
Claims Payable	-	-	-	-	107,760
Compensated Absences Payable	(18,813)	3,084	6,239	(9,490)	-
Deferred Inflows - Pension/OPEB	196,468	138,262	116,418	451,148	-
Net Pension Liability	(198,484)	(85,868)	(120,933)	(405,285)	-
Net OPEB Liability	(456,921)	(296,999)	(251,306)	(1,005,226)	-
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 1,141,798</u>	<u>\$ 1,002,617</u>	<u>\$ 21,749</u>	<u>\$ 2,166,164</u>	<u>\$ 63,351</u>

Noncash Capital Financing Activities:

The City also purchased \$17,785 and \$113,802 of capital assets on account in 2021 and 2020, respectively.

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2021

	<u>Custodial</u>
Assets	
Cash and Investments in Segregated Accounts	\$ 38,948
Liabilities	
Due to Other Governments	<u>28,780</u>
Net Position	
Restricted Net Position for Individuals, Organizations & Other Governments	<u><u>10,168</u></u>

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2021

	Custodial
Additions	
Fines & Forfeitures for Other Governments	\$ 878,267
Deductions	
Fines & Forfeitures Distributions to Other Governments	868,099
<i>Change in Net Position</i>	10,168
<i>Net Position Beginning of Year</i>	-
<i>Net Position End of Year</i>	\$ 10,168

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 1 -- DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

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

Reporting Entity: A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financials are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City.

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

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

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

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

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

A. BASIS OF PRESENTATION

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

B. FUND ACCOUNTING

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Governmental Funds

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

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

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

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

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and are classified as either enterprise or internal service.

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

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

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

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

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City's only internal service fund accounts for a self-insurance program for employee medical benefits.

Fiduciary Funds

Fiduciary funds reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Presently, the City has no trust funds, investment trust funds or private-purpose trust funds. The City presently has one custodial fund for the Municipal Court.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

C. MEASUREMENT FOCUS

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

D. BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-exchange Transactions

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income taxes, fines and forfeitures, entitlements, and state-levied locally shared taxes (including gasoline tax and motor vehicle license fees).

Deferred Inflows of Resources and Deferred Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 11 and 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2021, but which were levied to finance 2022 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue may include delinquent property taxes, income taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12).

Expenses/Expenditures

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

E. BUDGET

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

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

Tax Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the first and final amended official certificate of estimated resources issued during 2021.

Appropriations

A temporary appropriation resolution to control expenditures may be passed on or about January 1 of each year for the period of January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution fixes spending authority at the fund, department, and object level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. Several supplemental appropriation ordinances were legally enacted by Council during the year. The budget figures, which appear in the statement of budgetary comparisons, present the original and final appropriation amounts including all amendments and modifications.

Encumbrances

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Lapsing of Appropriations

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

F. DEPOSITS

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

Except for nonparticipating investment contracts, investments are reported at fair value. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during year 2021 amounted to \$6,527 which included \$5,482 assigned from other funds of the City.

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

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

G. INVENTORIES

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

H. CAPITAL ASSETS

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

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

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

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

I. INTERFUND BALANCES

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

J. COMPENSATED ABSENCES

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

K. PENSIONS/OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

M. FUND BALANCE

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

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City. The Council has by resolution authorized the auditor to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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

N. NET POSITION

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

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

O. OPERATING REVENUES AND EXPENSES

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

P. CONTRIBUTION OF CAPITAL

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

Q. INTERFUND ACTIVITY

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

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

R. EXTRAORDINARY AND SPECIAL ITEMS

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2021.

S. ESTIMATES

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

T. UNEARNED REVENUE

Unearned revenue arises when monies are received before revenue recognition criteria have been satisfied. The unearned revenue reported represents grants received from the American Rescue Plan Act funding.

U. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

Implementation of New Accounting Principles

For the year ended December 31, 2021, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* and certain provisions of GASB Statement No. 93, *Replacement of Interbank Offered Rates*.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. These changes were incorporated in the City's 2021 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of certain provisions (all except for paragraphs 13 and 14, which are effective for fiscal years beginning after June 15, 2021), of GASB Statement No. 93 did not have an effect on the financial statements of the City.

Restatement of Net Position

During 2021, it was determined that capital assets had been overstated in governmental activities by \$137,223 and understated in business-type activities by \$470,781. The correction to capital assets had the following effect on net position as reported December 31, 2021.

	Governmental Activities	Business-Type Activities		
Net Position, December 31, 2020	\$ 12,944,623	\$ 18,946,239		
Adjustments:				
Change in Capital Assets	(137,233)	470,781		
Restated Net Position, December 31, 2020	\$ 12,807,390	\$ 19,417,020		
			Total Business- Type Activities	
Net Position, December 31, 2020	\$ 11,183,997	\$ 7,380,604	\$ 381,638	\$ 18,946,239
Adjustments:				
Change in Capital Assets	38,134	516,461	(83,814)	470,781
Restated Net Position, December 31, 2020	\$ 11,222,131	\$ 7,897,065	\$ 297,824	\$ 19,417,020

NOTE 3 -- BUDGET BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The "statement of revenue, expenditures, and changes in fund balance - budget (non-GAAP basis) and actual" presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a restriction, commitment or assignment of fund balance for that portion of outstanding encumbrances not already recognized as payables (GAAP basis).

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

Net Change in Fund Balance

	General Fund
GAAP Basis	\$ (117,105)
Net Adjustment for Revenue Accruals	14,730
Net Adjustment for Expenditure Accruals	38,242
Adjustment for Encumbrances	(17,424)
Budget Basis	\$ (81,557)

NOTE 4 -- DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial 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.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

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

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

Cash on Hand

At December 31, 2021 the City had \$675 in undeposited cash on hand, which is included as part of "Equity in Pooled Cash and Investments."

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Deposits

At year-end, \$2,182,088 of the City's bank balance of \$7,394,282 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the City's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

Custodial Credit Risk

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

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

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

NOTE 5 -- RECEIVABLES

Receivables at December 31, 2021, consisted primarily of municipal income taxes, property and other taxes, due from other governments arising from entitlements, shared revenues, accounts (billings for utility service), revenue in lieu of taxes, and notes receivable. No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2021 for real and public utility property taxes represents collections of the 2020 taxes.

2021 real property taxes were levied after October 1, 2021 on the assessed value as of January 1, 2021, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2021 real property taxes are collected in and intended to finance 2022.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2021 public utility property taxes which became a lien December 31, 2020, are levied after October 1, 2021, and are collected in 2022 with real property taxes.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

The full tax rate for all City operations for the year ended December 31, 2021, was \$3.80 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2021 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$ 131,240,790
Public Utilities - Real	35,660
Public Utilities - Personal	<u>6,633,690</u>
	<u>\$ 137,910,140</u>

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2021, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2021 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Income Taxes

The City levies and collects an income tax of 1 percent on all income earned within the City as well as on incomes of residents earned outside the City. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Council has authority to establish re-allocation of income tax as needed. After defraying all necessary costs of collecting, administering, and enforcing the tax, the balance shall be allocated 72 percent to the general fund, 16 percent to the parks and recreation fund and 12 percent to the capital improvement fund.

NOTE 6 – RISK MANAGEMENT

Risk Pool Membership

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

The Pool covers the following risks:

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

	<u>2021</u>
Cash and Investments	\$ 41,996,850
Actuarial Liabilities	\$ 14,974,099

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

Workers Compensation

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

Health and Prescription Coverage

Effective January 1, 2016 the City began providing medical insurance to its employees through a self-insurance plan. The City pays a monthly administrative premium, including a stop-loss fee, for the self-insurance plan. The City contracts with a third-party administrator to direct this program. During 2021, self-insurance was in effect for claims up to \$40,000 per covered individual and \$1,000,000 in aggregate. Any claims exceeding these thresholds are covered by a stop-loss insurance policy.

At December 31, 2021, \$203,863 has been accrued for self-insurance claims. The claims liability reported in the self-insurance fund is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. This represents estimates to be paid for medical and prescription unpaid claims costs, including an estimate of costs relating to incurred but not yet reported claims based on the current information available.

A reconciliation of the changes in the balance of claims liabilities during 2020 and 2021 follows:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2020	\$ 228,967	\$ 894,069	\$ 1,026,933	\$ 96,103
2021	96,103	1,196,736	1,088,976	203,863

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 7 -- CAPITAL ASSETS

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

	Restated Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 708,200	\$ -	\$ -	\$ 708,200
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	4,901,670	-	-	4,901,670
Machinery and Equipment	1,154,493	12,906	-	1,167,399
Infrastructure	27,125,075	-	-	27,125,075
Vehicles	2,023,253	30,280	(46,545)	2,006,988
Leased Vehicles	81,586	40,708	-	122,294
<i>Total Capital Assets, Being Depreciated</i>	<u>35,286,077</u>	<u>83,894</u>	<u>(46,545)</u>	<u>35,323,426</u>
<i>Accumulated Depreciation</i>				
Buildings and Improvements	(3,865,188)	(102,868)	-	(3,968,056)
Machinery and Equipment	(807,239)	(52,068)	-	(859,307)
Infrastructure	(13,514,837)	(564,872)	-	(14,079,709)
Vehicles	(1,232,253)	(172,783)	35,470	(1,369,566)
Leased Vehicles	(4,590)	(11,468)	-	(16,058)
<i>Total Accumulated Depreciated</i>	<u>(19,424,107)</u>	<u>(904,059)</u>	<u>35,470</u>	<u>(20,292,696)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>15,861,970</u>	<u>(820,165)</u>	<u>(11,075)</u>	<u>15,030,730</u>
<i>Governmental Activities, Capital Assets, Net</i>	<u>\$ 16,570,170</u>	<u>\$ (820,165)</u>	<u>\$ (11,075)</u>	<u>\$ 15,738,930</u>

General Government:

Legislative and Executive	\$ 18,309
Judicial	14,590
Security of Persons and Property	160,553
Transportation	571,679
Leisure Time Activities	138,928
Total Depreciation	<u>\$ 904,059</u>

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

	Restated Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021
Business-Type Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 50,800	\$ -	\$ -	\$ 50,800
Construction in Progress	24,984,016	2,001,159	(26,734,026)	251,149
<i>Total Capital Assets, Not Being Depreciated</i>	<u>25,034,816</u>	<u>2,001,159</u>	<u>(26,734,026)</u>	<u>301,949</u>
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	20,858,204	19,904,705	(1,323,687)	39,439,222
Machinery and Equipment	6,012,773	5,510,711	(952,892)	10,570,592
Infrastructure	37,494,581	1,345,290	(57,914)	38,781,957
Vehicles	1,359,000	-	(7,555)	1,351,445
<i>Total Capital Assets, Being Depreciated</i>	<u>65,724,558</u>	<u>26,760,706</u>	<u>(2,342,048)</u>	<u>90,143,216</u>
<i>Accumulated Depreciation</i>				
Buildings and Improvements	(6,502,488)	(747,276)	963,978	(6,285,786)
Machinery and Equipment	(3,332,556)	(452,021)	841,220	(2,943,357)
Infrastructure	(16,332,673)	(702,950)	57,914	(16,977,709)
Vehicles	(755,468)	(100,506)	6,799	(849,175)
<i>Total Accumulated Depreciated</i>	<u>(26,923,185)</u>	<u>(2,002,753)</u>	<u>1,869,911</u>	<u>(27,056,027)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>38,801,373</u>	<u>24,757,953</u>	<u>(472,137)</u>	<u>63,087,189</u>
<i>Business-Type Activities, Capital Assets, Net</i>	<u>\$ 63,836,189</u>	<u>\$ 26,759,112</u>	<u>\$ (27,206,163)</u>	<u>\$ 63,389,138</u>

NOTE 8 -- COMPENSATED ABSENCES

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

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

Vacation is accumulated based upon length of service as follows:

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

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

NOTE 9 -- LONG TERM LIABILITIES

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

	Balance 12/31/2020	Additions	Deductions	Balance 12/31/2021	Amount Due Within One Year
Governmental Activities:					
<i>General Obligation Bonds:</i>					
Capital Improvement Bonds - 2005	\$ 188,000	\$ -	\$ 33,000	\$ 155,000 *	\$ 35,000
<i>Direct Placements:</i>					
Fire Truck Bond, Series 2014	180,096	-	42,911	137,185	44,306
Fire Truck Bond, Series 2017	252,200	-	32,700	219,500	33,700
<i>Total Direct Placements</i>	432,296	-	75,611	356,685	78,006
<i>Direct Borrowings:</i>					
<i>OWDA Loan:</i>					
2002 Reservoir Construction	1,125,682	-	434,813	690,869 *	455,267
<i>OPWC Loans:</i>					
2004 Rock Run Road Improvements	17,190	-	3,820	13,370 *	3,820
2005 CSO Removal	63,215	-	12,642	50,573 *	12,643
2011 Commerce Drive Storm Drainage	185,340	-	8,238	177,102 *	8,236
<i>Total OPWC Loans</i>	265,745	-	24,700	241,045	24,699
<i>Total Direct Borrowings</i>	1,391,427	-	459,513	931,914	479,966
<i>Other Long-Term Obligations:</i>					
Net Pension Liability	4,443,420	-	589,986	3,853,434	-
Net OPEB Liability	1,645,443	-	1,278,194	367,249	-
Compensated Absences	280,711	81,532	145,100	217,143	116,255
Leases Payable	63,201	41,187	42,177	62,211	42,475
<i>Total Other Long-Term Obligations</i>	6,432,775	122,719	2,055,457	4,500,037	158,730
 Total Governmental Activities	8,444,498	122,719	2,623,581	5,943,636	751,702

*These debt issues are recorded in governmental activities to finance assets of the business-type activities. See notation on pages 96 and 103 for a further description of the presentation on the statement of net position.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

	Balance			Amount Due	
	12/31/2020	Additions	Deductions	Balance	Within
				12/31/2021	One Year
Business-Type Activities:					
<i>Direct Borrowings:</i>					
<i>OWDA Loans:</i>					
2010 WTP & Storage Tower	\$ 11,891,024	\$ -	\$ 413,342	\$ 11,477,682	\$ 427,136
2013 Warpole Waterlines installed	429,933	-	14,551	415,382	14,946
2013 NE Quadrant Waterlines	1,150,400	-	75,024	1,075,376	76,532
2016 Sewer Separation	6,212,964	-	348,139	5,864,825	351,629
2019 WWTP Upgrades	24,655,683	2,075,240	904,034	25,826,889	904,034
<i>Total OWDA Loans</i>	<u>44,340,004</u>	<u>2,075,240</u>	<u>1,755,090</u>	<u>44,660,154</u>	<u>1,774,277</u>
<i>OPWC Loans:</i>					
2013 Elevated Tank Painting	399,999	-	16,667	383,332	16,667
2013 Waterline replacement	282,543	-	11,532	271,011	11,532
2013 Waterline replacement	340,405	-	13,894	326,511	13,894
2016 Sewer Separation	787,500	-	45,000	742,500	45,000
<i>Total OPWC Loans</i>	<u>1,810,447</u>	<u>-</u>	<u>87,093</u>	<u>1,723,354</u>	<u>87,093</u>
<i>Total Direct Borrowings</i>	<u>46,150,451</u>	<u>2,075,240</u>	<u>1,842,183</u>	<u>46,383,508</u>	<u>1,861,370</u>
<i>Other Long-Term Obligations</i>					
Net Pension Liability	1,529,697	-	405,285	1,124,412	-
Net OPEB Liability	1,005,226	-	1,005,226	-	-
Compensated Absences	128,559	52,849	62,339	119,069	63,475
<i>Total Other Long-Term Obligations</i>	<u>2,663,482</u>	<u>52,849</u>	<u>1,472,850</u>	<u>1,243,481</u>	<u>63,475</u>
Total Business-Type Activities	<u><u>48,813,933</u></u>	<u><u>2,128,089</u></u>	<u><u>3,315,033</u></u>	<u><u>47,626,989</u></u>	<u><u>1,924,845</u></u>

Governmental Activities

General Obligation Bonds

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

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

Direct Placements

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

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

Direct Borrowings

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

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

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

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

Business-type Activities

Direct Borrowings

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

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

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

The OWDA loan financed the 2019 wastewater treatment plant upgrades in the amount of \$27,257,956, of which \$100,000 of principal has been forgiven. As of December 31, 2021 the loan has been fully disbursed; however, no amortization schedule is available. The retirement of this 0.01 percent interest loan will be made by the sewer fund.

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

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

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

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

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

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

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Year Ending December 31,	Governmental Activities						
	OWDA Loans		OPWC Loans	Bonds		Totals	
	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2022	\$ 455,267	\$ 23,134	\$ 24,699	\$ 113,006	\$ 18,653	\$ 592,972	\$ 41,787
2023	235,602	4,712	24,700	118,546	14,499	378,848	19,211
2024	-	-	24,700	123,033	10,098	147,733	10,098
2025	-	-	22,790	79,200	5,457	101,990	5,457
2026	-	-	8,237	38,300	2,222	46,537	2,222
2027-2031	-	-	41,185	39,600	969	80,785	969
2032-2036	-	-	41,188	-	-	41,188	-
2037-2041	-	-	41,189	-	-	41,189	-
2042-2046	-	-	12,357	-	-	12,357	-
	<u>\$ 690,869</u>	<u>\$ 27,846</u>	<u>\$ 241,045</u>	<u>\$ 511,685</u>	<u>\$ 51,898</u>	<u>\$ 1,443,599</u>	<u>\$ 79,744</u>

Year Ending December 31,	Business-Type Activities				
	OWDA Loans		OPWC Loans	Total	
	Principal	Interest	Principal	Principal	Interest
2022	\$ 870,243	\$ 466,378	\$ 87,093	\$ 957,336	\$ 466,378
2023	889,966	446,654	87,093	977,059	446,654
2024	910,243	426,377	87,093	997,336	426,377
2025	931,089	405,531	87,093	1,018,182	405,531
2026	952,523	384,098	87,093	1,039,616	384,098
2027-2031	5,106,020	1,577,088	435,465	5,541,485	1,577,088
2032-2036	5,492,202	946,755	435,464	5,927,666	946,755
2037-2041	3,655,478	295,263	277,965	3,933,443	295,263
2042-2046	25,501	516	138,995	164,496	516
	<u>\$ 18,833,265</u>	<u>\$ 4,948,660</u>	<u>\$ 1,723,354</u>	<u>\$ 20,556,619</u>	<u>\$ 4,948,660</u>

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

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay \$46,383,508 of Ohio Public Works Commission (OPWC) and Ohio Water Development Authority (OWDA). Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which were 82 percent. The total principal and interest remaining to be paid on the loans is \$51,332,168. This excludes interest applicable to the OWDA loan for wastewater treatment plant upgrades as an amortization schedule is not available. Principal and interest paid for the current year and total net revenues were \$2,330,440 and \$2,846,684, respectively.

NOTE 10 -- LEASES

During 2019, the City entered into lease agreement for a copier and supplies, which expires December 5, 2025. This asset was not capitalized.

During 2020, the City entered into a lease agreement as lessee for financing the acquisition of two police cruisers and equipment at 6.15 percent interest, with an ending date 11/13/2022. At year end, accumulated depreciation totaled \$13,768, with a net book value of \$67,818.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

During 2021, the City entered into a lease agreement as lessee for financing the acquisition of a K-9 police cruiser and equipment at 6.15 percent interest, with an ending date 7/13/2023. At year end, accumulated depreciation totaled \$2,290, with a net book value of \$38,418.

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at December 31, 2021:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 42,475	\$ 4,802	\$ 47,277
2023	16,430	1,819	18,249
2024	3,306	364	3,670
	\$ 62,211	\$ 6,985	\$ 69,196

NOTE 11 -- DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (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.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

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

When a benefit recipient has received benefits for 12 months, current law provides for an annual cost-of-living adjustment (COLA). This COLA is calculated on the original base retirement benefit at the date of retirement and is not compounded. For those who retired prior to January 7, 2013, the COLA is 3 percent. For those retiring on or after 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 (CPI), capped at 3 percent.

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$357,434 for 2021. Of this amount, \$30,296 is reported as an intergovernmental payable.

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

Full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

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

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

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

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

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0 percent or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$192,787 for 2021. Of this amount, \$18,442 is reported as an intergovernmental payable.

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

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Period	0.017659%	0.034662%	
Prior Measurement Period	<u>0.017589%</u>	<u>0.037060%</u>	
Change in Proportion	<u>0.000070%</u>	<u>-0.002398%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 2,614,913	\$ 2,362,933	\$ 4,977,846
Pension Expense	\$ 39,333	\$ 130,791	\$ 170,124

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ -	\$ 98,776	\$ 98,776
Changes of Assumptions	-	39,627	39,627
Changes in Proportionate Share and Differences in Contributions	55,297	20,617	75,914
City Contributions Subsequent to the Measurement Date	357,434	192,787	550,221
Total Deferred Outflows of Resources	\$ 412,731	\$ 351,807	\$ 764,538
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 109,384	\$ 92,055	\$ 201,439
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,019,217	114,619	1,133,836
Changes in Proportionate Share and Differences in Contributions	67,962	200,669	268,631
Total Deferred Inflows of Resources	\$ 1,196,563	\$ 407,343	\$ 1,603,906

\$550,221 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2022	\$ (446,165)	\$ (47,343)	\$ (493,508)
2023	(140,626)	(10,755)	(151,381)
2024	(415,468)	(138,307)	(553,775)
2025	(139,007)	(40,732)	(179,739)
2026	-	(11,186)	(11,186)
Total	\$ (1,141,266)	\$ (248,323)	\$ (1,389,589)

Actuarial Assumptions - OPERS

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Wage Inflation	3.25 percent
Future Salary Increases, including wage inflation	3.25 percent to 10.75 percent (including wage inflation)
Investment Rate of Return	
Current Measurement Date	7.20 percent
Prior Measurement Date	7.20 percent
Actuarial Cost Method	Individual Entry Age
Cost-of-Living	Pre-1/7/2013 Retirees: 3.00 percent Simple
Adjustments	Post-1/7/2013 Retirees: 0.50 percent Simple through 2021, then 2.15 percent Simple

In October 2020, the OPERS Board adopted a change in COLA for post-January 7, 2013 retirees, changing it from 1.4 percent simple through 2020 then 2.15 simple to 0.5 percent simple through 2021 then 2.15 percent simple.

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

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

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

Discount Rate The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's Proportionate Share of the Net Pension Liability	\$ 4,987,961	\$ 2,614,913	\$ 641,728

Changes between Measurement Date and Report Date During 2021, the OPERS Board lowered the investment rate of return from 7.2 percent to 6.9 percent along with certain other changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

Actuarial Assumptions – OP&F

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.20 percent simple for increases based on the lesser of the increase in CPI and 3 percent

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

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

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

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

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

Note: Assumptions are geometric.

* levered 2.5x

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net Pension Liability	\$ 3,289,505	\$ 2,362,933	\$ 1,587,485

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 12 -- DEFINED BENEFIT OPEB PLANS

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

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

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

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

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

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

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2020, measurement date health care valuation.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

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

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

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

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2021 was 4.0 percent.

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

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

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

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

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

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

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$4,868 for 2021. Of this amount, \$463 is reported as an intergovernmental payable.

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

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

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Period	0.016604%	0.0346619%	
Prior Measurement Period	0.016540%	0.0370596%	
Change in Proportion	0.000064%	-0.0023977%	
 Proportionate Share of the Net			
OPEB Liability (Asset)	\$ (295,814)	\$ 367,249	
OPEB Expense	\$ (1,807,908)	\$ 11,734	\$ (1,796,174)

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Changes of Assumptions	\$ 145,425	\$ 202,883	\$ 348,308
Changes in Proportionate Share and Differences in Contributions	31,964	944	32,908
City Contributions Subsequent to the Measurement Date	-	4,868	4,868
Total Deferred Outflows of Resources	<u>\$ 177,389</u>	<u>\$ 208,695</u>	<u>\$ 386,084</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 266,969	\$ 60,577	\$ 327,546
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	157,556	13,647	171,203
Changes of Assumptions	479,307	58,547	537,854
Changes in Proportionate Share and Differences in Contributions	40,247	92,927	133,174
Total Deferred Inflows of Resources	<u>\$ 944,079</u>	<u>\$ 225,698</u>	<u>\$ 1,169,777</u>

\$4,868 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2022	\$ (406,323)	\$ (7,911)	\$ (414,234)
2023	(273,336)	(4,679)	(278,015)
2024	(68,467)	(9,776)	(78,243)
2025	(18,564)	(4,831)	(23,395)
2026	-	3,789	3,789
Thereafter	-	1,537	1,537
	<u>\$ (766,690)</u>	<u>\$ (21,871)</u>	<u>\$ (788,561)</u>

Actuarial Assumptions - OPERS

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Wage Inflation	3.25 percent
Projected Salary Increases, Including Inflation	3.25 to 10.75 percent, including wage inflation
Single Discount Rate:	
Current Measurement Date	6.00 percent
Prior Measurement Date	3.16 percent
Investment Rate of Return:	
Current Measurement Date	6.00 percent
Prior Measurement Date	6.00 percent
Municipal Bond Rate:	
Current Measurement Date	2.00 percent
Prior Measurement Date	2.75 percent
Health Care Cost Trend Rate:	
Current Measurement Date	8.5 percent, initial, 3.50 percent, ultimate in 2035
Prior Measurement Date	10.5 percent, initial, 3.50 percent, ultimate in 2030
Actuarial Cost Method	Individual Entry Age

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

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

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

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

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate The following table presents the City’s proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 6.00 percent and the City’s proportionate share of the net OPEB liability (asset) if it were calculated using a discount rate that is one percent lower (5.00 percent) or one percent higher (7.00 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net OPEB (Asset)	\$ (73,556)	\$ (295,814)	\$ (478,527)

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

	1% Decrease	Current Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB (Asset)	\$ (303,023)	\$ (295,814)	\$ (287,747)

Changes between Measurement Date and Report Date During 2021, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

Actuarial Assumptions – OP&F

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

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

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	3.25 percent
Blended Discount Rate:	
Current Measurement Date	2.96 percent
Prior Measurement Date	3.56 percent
Municipal Bond Rate:	
Current Measurement Date	2.12 percent
Prior Measurement Date	3.75 percent
Cost of Living Adjustments	2.20 percent simple

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

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

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

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

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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

Note: Assumptions are geometric.

* Levered 2.5x

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

Discount Rate For 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.12 percent at December 31, 2020 and 2.75 percent at December 31, 2019, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 2.96 percent for 2020 and 3.56 percent for 2019. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2035. The long-term expected rate of return on health care investments was applied to projected costs through 2035, and the municipal bond rate was applied to all health care costs after that date.

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$ 457,938	\$ 367,249	\$ 292,440

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

NOTE 13 -- CONTINGENT LIABILITIES

Federal and State Grants

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

Litigation

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

Encumbrances

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the City's general fund had no outstanding encumbrances.

NOTE 14 -- FUND BALANCE

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total
Nonspendable for:				
Inventory	\$ 1,632	\$ -	\$ 20,867	\$ 22,499
Restricted for:				
Capital Projects	-	463,597	-	463,597
Street Maintenance and Repair	-	-	342,819	342,819
Indigent Drivers Fund	-	-	346,027	346,027
Computer Legal Research	-	-	173,770	173,770
CDBG Revolving Loan	-	-	468,878	468,878
Special Projects	-	-	188,723	188,723
Other Purposes	-	-	267,694	267,694
Total Restricted	-	463,597	1,787,911	2,251,508
Committed to:				
Parks and Recreation	-	-	293,820	293,820
Assigned for:				
Subsequent Year Appropriations	695,840	-	-	695,840
Unassigned	540,718	-	-	540,718
Total Fund Balance	\$ 1,238,190	\$ 463,597	\$ 2,102,598	\$ 3,804,385

NOTE 15 -- TRANSFERS

Interfund transfers for the year ended December 31, 2021, consisted of the following:

Fund	Transfers In	Transfers Out
General	\$ -	\$ 14,314
Capital Improvement Fund	489,856	-
Water	-	475,542
	<u>\$ 489,856</u>	<u>\$ 489,856</u>

In the year ended December 31, 2021, the City made transfers of \$475,542 from the water fund to the capital improvements fund to subsidize, in part, the Ohio Water Development Authority (OWDA) debt service payments. In the past, OWDA loans were financed by City income tax. The general fund transferred \$14,314 to the capital improvement fund to assist in debt payments.

NOTE 16 -- ASSET RETIREMENT OBLIGATION

State and federal laws and regulations require the City to go through a decommissioning process if the wastewater treatment facility was to close. Through the decommissioning process, the City would be responsible for remediating any public safety issues associated with the wastewater treatment facility. The asset retirement obligation associated with the City's wastewater treatment facility cannot be estimated at

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
City's Proportion of the Net Pension Liability	0.017659%	0.017589%	0.018063%	0.017586%
City's Proportionate Share of the Net Pension Liability	\$ 2,614,913	\$ 3,476,585	\$ 4,947,089	\$ 2,758,880
City's Covered Payroll	\$ 2,487,107	\$ 2,474,707	\$ 2,439,729	\$ 2,323,979
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	105.14%	140.48%	202.77%	118.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.88%	82.17%	74.70%	84.66%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
City's Proportion of the Net Pension Liability	0.034662%	0.037060%	0.036872%	0.036986%
City's Proportionate Share of the Net Pension Liability	\$ 2,362,933	\$ 2,496,532	\$ 3,009,730	\$ 2,270,023
City's Covered Payroll	\$ 898,716	\$ 984,551	\$ 888,914	\$ 863,512
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	262.92%	253.57%	338.59%	262.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.65%	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.

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

See accompanying notes to the required supplementary information.

	2017	2016	2015	2014
	0.018397%	0.017668%	0.017205%	0.017205%
\$	4,177,704	\$ 3,060,320	\$ 2,075,115	\$ 2,028,245
\$	2,378,225	\$ 2,199,000	\$ 2,109,300	\$ 2,523,477
	175.66%	139.17%	98.38%	80.38%
	77.25%	81.08%	86.45%	86.36%
	0.040142%	0.038826%	0.039361%	0.039361%
\$	2,542,554	\$ 2,497,710	\$ 2,039,059	\$ 1,916,999
\$	906,791	\$ 825,885	\$ 949,332	\$ 827,098
	280.39%	302.43%	214.79%	231.77%
	68.36%	66.77%	72.20%	73.00%

See accompanying notes to the required supplementary information.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ 357,434	\$ 348,195	\$ 346,459	\$ 341,562
Contributions in Relation to the Contractually Required Contribution	<u>(357,434)</u>	<u>(348,195)</u>	<u>(346,459)</u>	<u>(341,562)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 2,553,100	\$ 2,487,107	\$ 2,474,707	\$ 2,439,729
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 192,787	\$ 178,254	\$ 194,772	\$ 175,767
Contributions in Relation to the Contractually Required Contribution	<u>(192,787)</u>	<u>(178,254)</u>	<u>(194,772)</u>	<u>(175,767)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 973,614	\$ 898,716	\$ 984,551	\$ 888,914
Contributions as a Percentage of Covered Payroll	19.80%	19.83%	19.78%	19.77%

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

See accompanying notes to the required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 302,117	\$ 285,387	\$ 263,880	\$ 253,116	\$ 328,052	n/a
<u>(302,117)</u>	<u>(285,387)</u>	<u>(263,880)</u>	<u>(253,116)</u>	<u>(328,052)</u>	n/a
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	n/a
\$ 2,323,979	\$ 2,378,225	\$ 2,199,000	\$ 2,109,300	\$ 2,523,477	n/a
13.00%	12.00%	12.00%	12.00%	13.00%	n/a
\$ 170,725	\$ 178,965	\$ 163,115	\$ 164,723	\$ 137,644	\$ 144,330
<u>(170,725)</u>	<u>(178,965)</u>	<u>(163,115)</u>	<u>(164,723)</u>	<u>(137,644)</u>	<u>(144,330)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 863,512	\$ 906,791	\$ 825,885	\$ 949,332	\$ 827,098	\$ 1,078,453
19.77%	19.74%	19.75%	17.35%	16.64%	13.38%

See accompanying notes to the required supplementary information.

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

	2021	2020	2019	2018	2017
Ohio Public Employees' Retirement System (OPERS)					
City's Proportion of the Net OPEB Liability (Asset)	0.016604%	0.016540%	0.016987%	0.016837%	0.017613%
City's Proportionate Share of the Net OPEB Liability (Asset)	\$ (295,814)	\$ 2,284,604	\$ 2,214,704	\$ 1,828,355	\$ 1,778,973
City's Covered Payroll	\$ 2,487,107	\$ 2,474,707	\$ 2,439,729	\$ 2,323,979	\$ 2,378,225
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-11.89%	92.32%	90.78%	78.67%	74.80%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	47.80%	46.33%	54.14%	54.04%
Ohio Police and Fire Pension Fund (OPF)					
City's Proportion of the Net OPEB Liability	0.034662%	0.037060%	0.036872%	0.036986%	0.040142%
City's Proportionate Share of the Net OPEB Liability	\$ 367,249	\$ 366,065	\$ 335,776	\$ 2,095,597	\$ 1,905,450
City's Covered Payroll	\$ 898,716	\$ 984,551	\$ 888,914	\$ 863,512	\$ 906,791
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	40.86%	37.18%	37.77%	242.68%	210.13%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	45.42%	47.08%	46.57%	14.13%	15.96%

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

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Ohio Public Employees' Retirement System (OPERS)</i>				
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll (1)	\$ 2,553,100	\$ 2,487,107	\$ 2,474,707	\$ 2,439,729
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>				
Contractually Required Contribution	\$ 4,868	\$ 4,494	\$ 4,923	\$ 4,445
Contributions in Relation to the Contractually Required Contribution	<u>(4,868)</u>	<u>(4,494)</u>	<u>(4,923)</u>	<u>(4,445)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 973,614	\$ 898,716	\$ 984,551	\$ 888,914
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

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

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

See accompanying notes to the required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 23,240	\$ 47,564	n/a	n/a	n/a	n/a
<u>(23,240)</u>	<u>(47,564)</u>	n/a	n/a	n/a	n/a
<u>\$ -</u>	<u>\$ -</u>	n/a	n/a	n/a	n/a
\$ 2,323,979	\$ 2,378,225	n/a	n/a	n/a	n/a
1.00%	2.00%	n/a	n/a	n/a	n/a
\$ 4,318	\$ 4,534	\$ 4,130	\$ 64,121	\$ 68,188	\$ 72,796
<u>(4,318)</u>	<u>(4,534)</u>	<u>(4,130)</u>	<u>(64,121)</u>	<u>(68,188)</u>	<u>(72,796)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 863,512	\$ 906,791	\$ 825,885	\$ 949,332	\$ 827,098	\$ 1,078,453
0.50%	0.50%	0.50%	6.80%	8.24%	6.75%

See accompanying notes to the required supplementary information.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2021

NOTE 1 - NET PENSION LIABILITY

Changes in Assumptions – OPERS

Discount Rate:

Calendar year 2021	6.90 percent
Calendar year 2020	7.20 percent
Calendar year 2019	7.20 percent
Calendar year 2018	7.50 percent
Calendar year 2017	8.00 percent

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

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

Changes in Benefit Terms – OPERS

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

Changes in Assumptions – OP&F

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

Changes in Benefit Terms – OP&F

No significant changes in benefit terms.

NOTE 2 - NET OPEB LIABILITY (ASSET)

Changes in Assumptions - OPERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Discount Rate:

Calendar year 2021	6.00 percent
Calendar year 2020	3.16 percent
Calendar year 2019	3.96 percent
Calendar year 2018	3.85 percent
Calendar year 2017	4.23 percent

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2021

Municipal Bond Rate:

Calendar year 2021	2.00 percent
Calendar year 2020	2.75 percent
Calendar year 2019	3.71 percent
Calendar year 2018	3.31 percent

Health Care Cost Trend Rate:

Calendar year 2021	8.50 percent
Calendar year 2020	10.50 percent
Calendar year 2019	10.00 percent
Calendar year 2018	7.50 percent

For calendar year 2019, the investment rate of return decreased from 6.50 percent to 6.00 percent.

Changes in Benefit Terms – OPERS

For calendar year 2021, the cost of living adjustments decreased from 3.00 percent simple to 2.20 percent simple

Changes in Assumptions – OP&F

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Discount Rate:

Calendar year 2021	2.96 percent
Calendar year 2020	3.56 percent
Calendar year 2019	4.66 percent
Calendar year 2018	3.24 percent
Calendar year 2017	3.79 percent

Municipal Bond Rate:

Calendar year 2021	2.12 percent
Calendar year 2020	2.75 percent
Calendar year 2019	4.13 percent
Calendar year 2018	3.16 percent

Changes in Benefit Terms – OP&F

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

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OHIO AUDITOR OF STATE KEITH FABER



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

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

To the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Upper Sandusky, Wyandot County, Ohio (the City) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 21, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

City's Response to Finding

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

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio

December 21, 2023

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2022 AND 2021**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2022-001

Financial Reporting - Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Original and Final Budgeted Income Taxes Revenue were overstated in the amount of \$100,000 on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) Parks and Recreation Fund in 2022.

This error was the result of inadequate policies and procedures in reviewing the financial statements. The accompanying financial statements have been adjusted to correct this error. The failure to prepare complete and accurate financial statements and notes to the financial statements could lead to the financial statements user making misinformed decisions about the City's financial position. In addition to the adjustment noted above, we also identified additional immaterial misstatements ranging from \$2,154 to \$492,513 that we brought to the City's attention.

The City should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the City Auditor and Council, to identify and correct errors and omissions.

Officials' Response:

An effort was made to correct errors in the financial statements, and the City will continue to implement policies and procedures to identify and correct errors and omissions in the financial statements and notes to the financial statements.

CITY OF UPPER SANDUSKY

MUNICIPAL OFFICES
119 NORTH SEVENTH STREET
UPPER SANDUSKY, OHIO 43351
(419) 294-3862 MAYOR'S OFFICE
(419) 294-3988 AUDITOR'S OFFICE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2022 AND 2021

Finding Number	Finding Summary	Status	Additional Information
2020-001	This finding was first reported in the audit of the 2017-2018 financial statements. Material weakness due to errors in financial reporting.	Not corrected and repeated in this report as Finding 2022-001.	This finding reoccurred due to inadequate policies and procedures in reviewing the financial statements and notes to the financial statements. An effort was made to correct errors in the financial statements, and the City will continue to implement policies and procedures to identify and correct errors and omissions in the financial statements and notes to the financial statements.

OHIO AUDITOR OF STATE KEITH FABER



CITY OF UPPER SANDUSKY

WYANDOT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/4/2024

88 East Broad Street, Columbus, Ohio 43215
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This report is a matter of public record and is available online at
www.ohioauditor.gov