



OHIO AUDITOR OF STATE  
**KEITH FABER**





CITY OF VAN WERT  
VAN WERT COUNTY

DECEMBER 31, 2024

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

City of Van Wert  
Van Wert County  
515 East Main Street  
Van Wert, Ohio 45891

To the City Council:

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Van Wert, Van Wert County, Ohio (the City), as of and for the year ended December 31, 2024, 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 cash-basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Van Wert, as of December 31, 2024, and the respective changes in cash-basis financial position and the budgetary comparison for the General Fund for the year then ended in accordance with the cash-basis of accounting described in Note 2.

#### ***Basis for Opinions***

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

#### ***Emphasis of Matter - Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2025, 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  
Ohio Auditor of State

A handwritten signature in black ink, reading "Tiffany L. Ridenbaugh". The signature is written in a cursive, flowing style.

Tiffany L. Ridenbaugh, CPA, CFE, CGFM  
Chief Deputy Auditor

July 11, 2025

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**City of Van Wert**  
**Van Wert County, Ohio**  
*Statement of Net Position-Cash Basis*  
*December 31, 2024*

|  | Governmental<br>Activities | Business-Type<br>Activities | Total                |
|--|----------------------------|-----------------------------|----------------------|
| <b>Assets</b>                              |                            |                             |                      |
| Equity in Pooled Cash and Cash Equivalents | \$ 9,891,551               | \$ 6,598,572                | \$ 16,490,123        |
| Cash with Fiscal Agents                    | 527,386                    | 188,869                     | 716,255              |
| Restricted Cash and Cash Equivalents       | -                          | 139,078                     | 139,078              |
| <i>Total Assets</i>                        | <u>\$ 10,418,937</u>       | <u>\$ 6,926,519</u>         | <u>\$ 17,345,456</u> |
| <b>Net Position</b>                        |                            |                             |                      |
| Restricted for:                            |                            |                             |                      |
| Capital Projects                           | \$ 4,246,833               | \$ -                        | \$ 4,246,833         |
| Other Purposes                             | 1,541,248                  | 139,078                     | 1,680,326            |
| Unrestricted                               | 4,630,856                  | 6,787,441                   | 11,418,297           |
| <i>Total Net Position</i>                  | <u>\$ 10,418,937</u>       | <u>\$ 6,926,519</u>         | <u>\$ 17,345,456</u> |

See accompanying notes to the financial statements.

**City of Van Wert**  
**Van Wert County, Ohio**  
*Statement of Activities-Cash Basis*  
*For the Year Ended December 31, 2024*

|  | Cash<br>Disbursements | Program Cash Receipts                |                                       |                                  | Net (Disbursements) Receipts and<br>Changes in Net Position |                             |                      |
|--|-----------------------|--------------------------------------|---------------------------------------|----------------------------------|---|-----------------------------|----------------------|
|  |                       | Charges for<br>Services and<br>Sales | Operating<br>Grants,<br>Contributions | Capital Grants,<br>Contributions | Governmental<br>Activities                                  | Business-Type<br>Activities | Total                |
| <b>Governmental Activities</b>                                 |                       |                                      |                                       |                                  |   |                             |                      |
| General Government   | \$ 2,280,115          | \$ 1,034,256                         | \$ 89,421                             | \$ -                             | \$ (1,156,438)  | \$ -                        | \$ (1,156,438)       |
| Security of Persons and Property                               |                       |                                      |                                       |                                  |   |                             |                      |
| Police   | 3,078,359             | 5,816                                | 23,118                                | -                                | (3,049,425)   | -                           | (3,049,425)          |
| Fire   | 2,422,406             | 561,946                              | 73,578                                | -                                | (1,786,882)   | -                           | (1,786,882)          |
| Other  | 205,234               | 623                                  | -                                     | -                                | (204,611)   | -                           | (204,611)            |
| Public Services  | 372,892               | -                                    | -                                     | -                                | (372,892)   | -                           | (372,892)            |
| Public Health  | 177,198               | 36,030                               | -                                     | -                                | (141,168)   | -                           | (141,168)            |
| Leisure Time Activities  | 456,418               | 48,489                               | -                                     | -                                | (407,929)   | -                           | (407,929)            |
| Transportation   | 2,084,766             | 2,420                                | 833,917                               | 103,168                          | (1,145,261)   | -                           | (1,145,261)          |
| Capital Outlay   | 896,791               | 600                                  | -                                     | 86,969                           | (809,222)   | -                           | (809,222)            |
| Intergovernmental  | 579,398               | -                                    | -                                     | -                                | (579,398)   | -                           | (579,398)            |
| Debt Service:  |                       |                                      |                                       |                                  |   |                             |                      |
| Principal Retirement   | 115,838               | -                                    | -                                     | -                                | (115,838)   | -                           | (115,838)            |
| Interest and Fiscal Charges                                    | 62,477                | -                                    | -                                     | -                                | (62,477)  | -                           | (62,477)             |
| <i>Total Governmental Activities</i>                           | <u>12,731,892</u>     | <u>1,690,180</u>                     | <u>1,020,034</u>                      | <u>190,137</u>                   | <u>(9,831,541)</u>  | <u>-</u>                    | <u>(9,831,541)</u>   |
| <b>Business-Type Activities</b>                                |                       |                                      |                                       |                                  |   |                             |                      |
| Water  | 2,577,498             | 2,301,284                            | 10,000                                | -                                | -   | (266,214)                   | (266,214)            |
| Sewer  | 2,101,189             | 2,960,219                            | -                                     | -                                | -   | 859,030                     | 859,030              |
| <i>Total Business-Type Activities</i>                          | <u>4,678,687</u>      | <u>5,261,503</u>                     | <u>10,000</u>                         | <u>-</u>                         | <u>-</u>  | <u>592,816</u>              | <u>592,816</u>       |
| <i>Total Primary Government</i>                                | <u>\$ 17,410,579</u>  | <u>\$ 6,951,683</u>                  | <u>\$ 1,030,034</u>                   | <u>\$ 190,137</u>                | <u>(9,831,541)</u>  | <u>592,816</u>              | <u>(9,238,725)</u>   |
| <b>General Receipts:</b>                                       |                       |                                      |                                       |                                  |   |                             |                      |
| Property Taxes Levied for:                                     |                       |                                      |                                       |                                  |   |                             |                      |
| General Purposes   |                       |                                      |                                       |                                  | 533,852   | -                           | 533,852              |
| Police Pension   |                       |                                      |                                       |                                  | 68,635  | -                           | 68,635               |
| Fire Pension   |                       |                                      |                                       |                                  | 68,635  | -                           | 68,635               |
| Income Taxes Levied for:                                       |                       |                                      |                                       |                                  |   |                             |                      |
| General Purposes   |                       |                                      |                                       |                                  | 5,645,848   | -                           | 5,645,848            |
| Police and Fire  |                       |                                      |                                       |                                  | 1,170,593   | -                           | 1,170,593            |
| Transportation   |                       |                                      |                                       |                                  | 2,710,755   | -                           | 2,710,755            |
| Other Local Taxes -Hotel/Motel                                 |                       |                                      |                                       |                                  | 202,814   | -                           | 202,814              |
| Grants and Entitlements not Restricted<br>to Specific Programs |                       |                                      |                                       |                                  | 647,924   | -                           | 647,924              |
| Insurance Recoveries   |                       |                                      |                                       |                                  | 36,840  | -                           | 36,840               |
| Sale of Assets   |                       |                                      |                                       |                                  | 92,526  | -                           | 92,526               |
| Payment in Lieu of Taxes                                       |                       |                                      |                                       |                                  | 561,223   | -                           | 561,223              |
| Investment Earnings  |                       |                                      |                                       |                                  | 386,011   | -                           | 386,011              |
| Miscellaneous  |                       |                                      |                                       |                                  | 66,123  | 4,571                       | 70,694               |
| <i>Total General Receipts</i>                                  |                       |                                      |                                       |                                  | <u>12,191,779</u>   | <u>4,571</u>                | <u>12,196,350</u>    |
| Transfers  |                       |                                      |                                       |                                  | 24,217  | (24,217)                    | -                    |
| <i>Change in Net Position</i>                                  |                       |                                      |                                       |                                  | 2,384,455   | 573,170                     | 2,957,625            |
| <i>Net Position Beginning of Year</i>                          |                       |                                      |                                       |                                  | 8,034,482   | 6,353,349                   | 14,387,831           |
| <i>Net Position End of Year</i>                                |                       |                                      |                                       |                                  | <u>\$ 10,418,937</u>  | <u>\$ 6,926,519</u>         | <u>\$ 17,345,456</u> |

See accompanying notes to the financial statements.

**City of Van Wert**  
**Van Wert County, Ohio**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2024*

|  | <u>General</u>             | <u>Street<br/>Construction</u> | <u>Police &amp;<br/>Fire Safety</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------------------|--------------------------------|-------------------------------------|--|---|
| <b>Assets</b>                              |                            |                                |                                     |  |   |
| Equity in Pooled Cash and Cash Equivalents | \$ 3,995,219               | \$ 2,780,392                   | \$ 1,256,904                        | \$ 1,859,036                               | \$ 9,891,551                            |
| Cash with Fiscal Agents                    | 435,370                    | 30,800                         | -                                   | 50,980                                     | 517,150                                 |
| <i>Total Assets</i>                        | <u><u>\$ 4,430,589</u></u> | <u><u>\$ 2,811,192</u></u>     | <u><u>\$ 1,256,904</u></u>          | <u><u>\$ 1,910,016</u></u>                 | <u><u>\$ 10,408,701</u></u>             |
| <b>Fund Balances</b>                       |                            |                                |                                     |  |   |
| Nonspendable                               | \$ 16,463                  | \$ -                           | \$ -                                | \$ -                                       | \$ 16,463                               |
| Restricted                                 | -                          | 2,811,192                      | 1,256,904                           | 1,719,985                                  | 5,788,081                               |
| Committed                                  | 209,804                    | -                              | -                                   | 190,031                                    | 399,835                                 |
| Assigned                                   | 1,581,297                  | -                              | -                                   | -  | 1,581,297                               |
| Unassigned                                 | 2,623,025                  | -                              | -                                   | -  | 2,623,025                               |
| <i>Total Fund Balances</i>                 | <u><u>\$ 4,430,589</u></u> | <u><u>\$ 2,811,192</u></u>     | <u><u>\$ 1,256,904</u></u>          | <u><u>\$ 1,910,016</u></u>                 | <u><u>\$ 10,408,701</u></u>             |

See accompanying notes to the financial statements.

**City of Van Wert**  
**Van Wert County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*December 31, 2024*

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|  |   |
|--|---|
| <b>Total Governmental Fund Balances</b>  | \$ 10,408,701   |
| <br><i>Amounts reported for governmental activities in the<br/>statement of net position are different because:</i>  |   |
| <br>An internal service fund is used by management to charge the costs of vehicle repairs<br>to individual funds. The assets of the internal service fund<br>are included in governmental activities in the statement of net position. | <br><br><br><br><br><br><br><br><br><u>10,236</u>               |
| <br><i>Net Position of Governmental Activities</i>   | <br><br><br><br><br><br><br><br><br><u><u>\$ 10,418,937</u></u> |

See accompanying notes to the financial statements.

**City of Van Wert**  
**Van Wert County, Ohio**  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2024*

|  | General             | Street<br>Construction | Police &<br>Fire Safety | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|------------------------|-------------------------|-----------------------------------|--------------------------------|
| <b>Receipts</b>                                      |                     |                        |                         |                                   |                                |
| Property Taxes                                       | \$ 533,852          | \$ -                   | \$ -                    | \$ 137,270                        | \$ 671,122                     |
| Municipal Income Taxes                               | 5,645,848           | 2,710,755              | 1,170,593               | -                                 | 9,527,196                      |
| Other Local Taxes                                    | 42,941              | -                      | -                       | 159,873                           | 202,814                        |
| Payment in Lieu of Taxes                             | -                   | -                      | -                       | 561,223                           | 561,223                        |
| Charges for Services                                 | 835,137             | -                      | -                       | 3,020                             | 838,157                        |
| Fees, Licenses and Permits                           | 106,318             | -                      | -                       | -                                 | 106,318                        |
| Fines and Forfeitures                                | 318,512             | -                      | -                       | 366,901                           | 685,413                        |
| Intergovernmental                                    | 629,749             | 103,168                | 84,469                  | 980,757                           | 1,798,143                      |
| Interest   | 386,011             | -                      | -                       | 39,328                            | 425,339                        |
| Rent   | 60,292              | -                      | -                       | -                                 | 60,292                         |
| Gifts and Donations                                  | -                   | -                      | -                       | 20,624                            | 20,624                         |
| Other  | 58,232              | 154                    | 2,833                   | 4,904                             | 66,123                         |
| <i>Total Receipts</i>                                | <u>8,616,892</u>    | <u>2,814,077</u>       | <u>1,257,895</u>        | <u>2,273,900</u>                  | <u>14,962,764</u>              |
| <b>Disbursements</b>                                 |                     |                        |                         |                                   |                                |
| Current:   |                     |                        |                         |                                   |                                |
| General Government                                   | 1,986,894           | -                      | -                       | 296,975                           | 2,283,869                      |
| Security of Persons and Property                     |                     |                        |                         |                                   |                                |
| Police   | 3,002,160           | -                      | -                       | 76,199                            | 3,078,359                      |
| Fire   | 2,307,706           | -                      | -                       | 114,700                           | 2,422,406                      |
| Other  | 203,407             | -                      | -                       | 1,827                             | 205,234                        |
| Public Service                                       | 222,892             | -                      | -                       | 150,000                           | 372,892                        |
| Public Health  | 177,198             | -                      | -                       | -                                 | 177,198                        |
| Leisure Time Activities                              | 456,418             | -                      | -                       | -                                 | 456,418                        |
| Transportation                                       | -                   | 1,301,218              | -                       | 783,548                           | 2,084,766                      |
| Intergovernmental                                    | -                   | -                      | -                       | 579,398                           | 579,398                        |
| Capital Outlay                                       | -                   | -                      | 870,645                 | 26,146                            | 896,791                        |
| Debt Service:  |                     |                        |                         |                                   |                                |
| Principal Retirement                                 | 20,419              | -                      | 20,419                  | 75,000                            | 115,838                        |
| Interest and Fiscal Charges                          | 10,651              | -                      | 10,651                  | 41,175                            | 62,477                         |
| <i>Total Disbursements</i>                           | <u>8,387,745</u>    | <u>1,301,218</u>       | <u>901,715</u>          | <u>2,144,968</u>                  | <u>12,735,646</u>              |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>229,147</u>      | <u>1,512,859</u>       | <u>356,180</u>          | <u>128,932</u>                    | <u>2,227,118</u>               |
| <b>Other Financing Sources (Uses)</b>                |                     |                        |                         |                                   |                                |
| Proceeds from Sale of Assets                         | 78,831              | -                      | 13,695                  | -                                 | 92,526                         |
| Insurance Recoveries                                 | 36,840              | -                      | -                       | -                                 | 36,840                         |
| Transfers In   | 34,391              | -                      | -                       | 103,291                           | 137,682                        |
| Transfers Out  | (103,291)           | (3,284)                | -                       | (5,460)                           | (112,035)                      |
| <i>Total Other Financing Sources (Uses)</i>          | <u>46,771</u>       | <u>(3,284)</u>         | <u>13,695</u>           | <u>97,831</u>                     | <u>155,013</u>                 |
| <i>Net Change in Fund Balance</i>                    | <u>275,918</u>      | <u>1,509,575</u>       | <u>369,875</u>          | <u>226,763</u>                    | <u>2,382,131</u>               |
| <i>Fund Balance Beginning of Year</i>                | <u>4,154,671</u>    | <u>1,301,617</u>       | <u>887,029</u>          | <u>1,683,253</u>                  | <u>8,026,570</u>               |
| <i>Fund Balance End of Year</i>                      | <u>\$ 4,430,589</u> | <u>\$ 2,811,192</u>    | <u>\$ 1,256,904</u>     | <u>\$ 1,910,016</u>               | <u>\$ 10,408,701</u>           |

See accompanying notes to the financial statements.

**City of Van Wert**  
**Van Wert County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2024*

|  | Budgeted Amounts    |                     |                     | Variance with<br>Final Budget<br>Over<br>(Under) |
|--|---------------------|---------------------|---------------------|--|
|  | Original            | Final               | Actual              |  |
| <b>Receipts</b>                                      |                     |                     |                     |  |
| Property Taxes                                       | \$ 508,753          | \$ 453,349          | \$ 533,852          | \$ 80,503  |
| Income Taxes   | 5,340,409           | 5,515,588           | 5,645,848           | 130,260  |
| Other Local Taxes                                    | 42,941              | 42,941              | 42,941              | -  |
| Charges for Services                                 | 792,073             | 582,387             | 835,137             | 252,750  |
| Licenses and Permits                                 | 114,358             | 122,771             | 106,318             | (16,453)   |
| Fines and Forfeitures                                | 220,140             | 236,335             | 274,705             | 38,370   |
| Intergovernmental                                    | 395,270             | 427,509             | 629,749             | 202,240  |
| Interest   | 381,194             | 409,238             | 386,011             | (23,227)   |
| Rent   | 57,179              | 61,386              | 60,292              | (1,094)  |
| Contributions and Donations                          | -                   | -                   | -                   | -  |
| Other  | 11,055              | 11,868              | 58,231              | 46,363   |
| <i>Total Receipts</i>                                | <u>7,863,372</u>    | <u>7,863,372</u>    | <u>8,573,084</u>    | <u>709,712</u>                                   |
| <b>Disbursements</b>                                 |                     |                     |                     |  |
| Current:   |                     |                     |                     |  |
| General Government                                   | 2,109,421           | 2,277,591           | 2,034,634           | 242,957  |
| Security of Persons and Property                     |                     |                     |                     |  |
| Police   | 3,247,600           | 3,247,600           | 3,083,232           | 164,368  |
| Fire   | 2,584,071           | 2,584,071           | 2,395,121           | 188,950  |
| Other  | 121,621             | 272,795             | 203,407             | 69,388   |
| Public Services                                      | 491,897             | 285,016             | 224,016             | 61,000   |
| Public Health  | 171,198             | 177,198             | 177,198             | -  |
| Leisure Time Activities                              | 243,337             | 499,726             | 474,550             | 25,176   |
| Debt Service:  |                     |                     |                     |  |
| Principal Retirement                                 | -                   | 21,419              | 20,419              | 1,000  |
| Interest and Fiscal Charges                          | 10,651              | 10,651              | 10,651              | -  |
| <i>Total Disbursements</i>                           | <u>8,979,796</u>    | <u>9,376,067</u>    | <u>8,623,228</u>    | <u>752,839</u>                                   |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(1,116,424)</u>  | <u>(1,512,695)</u>  | <u>(50,144)</u>     | <u>1,462,551</u>                                 |
| <b>Other Financing Sources (Uses)</b>                |                     |                     |                     |  |
| Sale of Assets                                       | 2,000               | 2,000               | 78,831              | 76,831   |
| Insurance Recoveries                                 | -                   | -                   | 36,840              | 36,840   |
| Transfers In   | 41,800              | 41,800              | 106,580             | 64,780   |
| Transfers Out  | (152,528)           | (174,914)           | (170,200)           | 4,714  |
| <i>Total Other Financing Sources (Uses)</i>          | <u>(108,728)</u>    | <u>(131,114)</u>    | <u>52,051</u>       | <u>183,165</u>                                   |
| <i>Net Change in Fund Balance</i>                    | <u>(1,225,152)</u>  | <u>(1,643,809)</u>  | <u>1,907</u>        | <u>1,645,716</u>                                 |
| <i>Fund Balance Beginning of Year</i>                | <u>3,440,290</u>    | <u>3,440,290</u>    | <u>3,440,290</u>    | <u>-</u>   |
| <i>Prior Year Encumbrances Appropriated</i>          | <u>162,738</u>      | <u>162,738</u>      | <u>162,738</u>      | <u>-</u>   |
| <i>Fund Balance End of Year</i>                      | <u>\$ 2,377,876</u> | <u>\$ 1,959,219</u> | <u>\$ 3,604,935</u> | <u>\$ 1,645,716</u>                              |

See accompanying notes to the financial statements.

**City of Van Wert**  
**Van Wert County, Ohio**  
*Reconciliation of the Statement of Receipts, Disbursements and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2024*

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|   |                     |
|---|---------------------|
| <b>Net Change in Fund Balances - Total Governmental Funds</b> | <b>\$ 2,382,131</b> |
|---|---------------------|

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

The internal service fund used by management to charge the costs of vehicle repairs to individual funds is not reported in the entity-wide statement of activities. Governmental disbursements and related internal service fund receipts are eliminated. The net receipt (disbursement) of the internal service fund is allocated among the governmental activities.

2,324

|  |                            |
|--|----------------------------|
| <i>Change in Net Position of Governmental Activities</i> | <u><u>\$ 2,384,455</u></u> |
|--|----------------------------|

See accompanying notes to the financial statements.

**City of Van Wert**  
**Van Wert County, Ohio**  
*Statement of Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*December 31, 2024*

|  | Business-Type Activities (Enterprise) |                     |                     | Governmental<br>Activities -<br>Internal Service<br>Fund |
|--|---------------------------------------|---------------------|---------------------|--|
|  | Water                                 | Sewer               | Total               |  |
| <b>Assets</b>                              |                                       |                     |                     |  |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,001,491                          | \$ 5,597,081        | \$ 6,598,572        | \$ -   |
| Cash with Fiscal Agents                    | 100,879                               | 87,990              | 188,869             | 10,236   |
| Restricted Cash and Cash Equivalents       | 69,539                                | 69,539              | 139,078             | -  |
| <i>Total Assets</i>                        | <u>\$ 1,171,909</u>                   | <u>\$ 5,754,610</u> | <u>\$ 6,926,519</u> | <u>\$ 10,236</u>   |
| <b>Net Position</b>                        |                                       |                     |                     |  |
| Restricted for Other Purposes              | \$ 69,539                             | \$ 69,539           | \$ 139,078          | \$ -   |
| Unrestricted                               | 1,102,370                             | 5,685,071           | 6,787,441           | 10,236   |
| <i>Total Net Position</i>                  | <u>\$ 1,171,909</u>                   | <u>\$ 5,754,610</u> | <u>\$ 6,926,519</u> | <u>\$ 10,236</u>   |

See accompanying notes to the financial statements.



**City of Van Wert**  
**Van Wert County, Ohio**  
*Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*For the Year Ended December 31, 2024*

|   | Business-Type Activities (Enterprise) |                     |                     | Governmental<br>Activities -<br>Internal Service<br>Fund |
|---|---------------------------------------|---------------------|---------------------|--|
|   | Water                                 | Sewer               | Totals              |  |
| <b>Operating Receipts</b>                           |                                       |                     |                     |  |
| Charges for Services                                | \$ 2,226,309                          | \$ 2,934,459        | \$ 5,160,768        | \$ 276,655   |
| Tap In Fees   | 74,975                                | 25,760              | 100,735             | -  |
| <i>Total Operating Receipts</i>                     | <u>2,301,284</u>                      | <u>2,960,219</u>    | <u>5,261,503</u>    | <u>276,655</u>   |
| <b>Operating Disbursements</b>                      |                                       |                     |                     |  |
| Personal Services                                   | 1,213,674                             | 989,374             | 2,203,048           | 133,755  |
| Materials and Supplies                              | 947,833                               | 663,393             | 1,611,226           | 139,146  |
| Utilities Deposits Refunded                         | 900                                   | 900                 | 1,800               | -  |
| Capital Outlay                                      | 415,091                               | 94,846              | 509,937             | -  |
| <i>Total Operating Disbursements</i>                | <u>2,577,498</u>                      | <u>1,748,513</u>    | <u>4,326,011</u>    | <u>272,901</u>   |
| <i>Operating Income (Loss)</i>                      | <u>(276,214)</u>                      | <u>1,211,706</u>    | <u>935,492</u>      | <u>3,754</u>   |
| <b>Non-Operating Receipts (Disbursements)</b>       |                                       |                     |                     |  |
| Intergovernmental                                   | 10,000                                | -                   | 10,000              | -  |
| Other Non-Operating Receipts                        | 2,916                                 | 1,655               | 4,571               | -  |
| Principal Retirement                                | -                                     | (352,676)           | (352,676)           | -  |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>12,916</u>                         | <u>(351,021)</u>    | <u>(338,105)</u>    | <u>-</u>   |
| <i>Income (Loss) Before Transfers</i>               | <u>(263,298)</u>                      | <u>860,685</u>      | <u>597,387</u>      | <u>3,754</u>   |
| Transfers Out                                       | (12,887)                              | (11,330)            | (24,217)            | (1,430)  |
| <i>Total Transfers</i>                              | <u>(12,887)</u>                       | <u>(11,330)</u>     | <u>(24,217)</u>     | <u>(1,430)</u>   |
| <i>Change in Net Position</i>                       | <u>(276,185)</u>                      | <u>849,355</u>      | <u>573,170</u>      | <u>2,324</u>   |
| <i>Net Position Beginning of Year</i>               | <u>1,448,094</u>                      | <u>4,905,255</u>    | <u>6,353,349</u>    | <u>7,912</u>   |
| <i>Net Position End of Year</i>                     | <u>\$ 1,171,909</u>                   | <u>\$ 5,754,610</u> | <u>\$ 6,926,519</u> | <u>\$ 10,236</u>   |

See accompanying notes to the financial statements.

**City of Van Wert**  
**Van Wert County, Ohio**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2024*

|   | Private Purpose<br>Trust Funds | Custodial<br>Funds |
|---|--------------------------------|--------------------|
| <b>Assets</b>   |                                |                    |
| Cash in Segregated Accounts                                     | \$ 43,769                      | \$ 72,992          |
| <i>Total Assets</i>   | <u>43,769</u>                  | <u>72,992</u>      |
| <b>Net Position</b>   |                                |                    |
| Restricted for Individuals, Organizations and Other Governments | -                              | 72,992             |
| Restricted for Other Fiduciary                                  | 43,769                         | -                  |
| <i>Total Net Position</i>                                       | <u>\$ 43,769</u>               | <u>\$ 72,992</u>   |

See accompanying notes to the financial statements.

**City of Van Wert**  
**Van Wert County, Ohio**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2024*

|   | Private Purpose<br>Trust Funds | Custodial<br>Funds |
|---|--------------------------------|--------------------|
| <b>Additions</b>                            |                                |                    |
| Fines and Forfeitures for Other Governments | \$ -                           | \$ 714,812         |
| Amounts Received as Fiscal Agent            | -                              | 246,440            |
| Interest                                    | 2,259                          | -                  |
| <i>Total Additions</i>                      | <u>2,259</u>                   | <u>961,252</u>     |
| <b>Deductions</b>                           |                                |                    |
| Distributions as Fiscal Agent               | -                              | 246,440            |
| Distributions of Fines and Forfeitures      | -                              | 740,631            |
| <i>Total Deductions</i>                     | <u>-</u>                       | <u>987,071</u>     |
| <i>Change in Net Position</i>               | 2,259                          | (25,819)           |
| <i>Net Position Beginning of Year</i>       | <u>41,510</u>                  | <u>98,811</u>      |
| <i>Net Position End of Year</i>             | <u>\$ 43,769</u>               | <u>\$ 72,992</u>   |

See accompanying notes to the financial statements.

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**City of Van Wert**  
**Van Wert County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2024*

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**Note 1 – Reporting Entity**

The City of Van Wert is a home rule municipal corporation established under the laws of the State of Ohio. The City operates under the Mayor/Council form of government. Four council members are elected from wards for two year terms. The President of Council and three council members are elected by separate ballot from the municipality at large for two year terms. The Mayor is elected for a four year term. The Mayor may veto any legislation passed by Council. In addition to establishing City policies, Council is responsible for passing ordinances, adopting the budget, and appointing boards and commissions. The Mayor is responsible for carrying out the policies and ordinances of Council, for overseeing the day-to-day operations of the City and for appointing the heads of the various City departments.

The reporting entity is composed of the primary government, component unit, and other organizations that are included to ensure the financial statements of the City are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the City. The primary government of the City of Van Wert provides the following services to its citizens: police and fire protection, emergency medical transportation, parks and recreation, building inspection, street maintenance and repairs, water, sewer services as well as a staff to provide support ( i.e., payroll processing, accounts payable, and revenue collection) to the service providers. Council has direct responsibility for these services.

**B. Component Units**

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. The City is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the City, are accessible to the City and are significant in amount to the City. There were no component units of the City of Van Wert in 2024.

**C. Joint Ventures/Jointly Governed Organizations/Related Organizations**

A joint venture is a legal entity or other organization that results from a contractual arrangement that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the City does not report assets for equity interests in joint ventures.

**City of Van Wert**  
**Van Wert County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2024*

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The City participates in the following jointly governed organizations and other related organizations.

**Jointly Governed Organizations**

**Van Wert County Regional Planning Commission** - (the Commission) is a jointly governed organization among the County, City of Van Wert, and Townships and Villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of thirty members of which, two-thirds are elected officials. The County must be represented by the three County Commissioners, a County Health Official, the County Engineer, the County Recorder, the County Auditor, the Sheriff and the County Extension Agent. Other members include: a representative from all participating Boards of Township Trustees; the Mayor or a Council member of each participating incorporated village; two representatives from the City of Van Wert, one being the Mayor or his designee and one being appointed by City Council.

The remaining members of the Commission are representatives from public utility, minority groups, business industry, Ministerial Association, farm organizations, Chamber of Commerce and other representatives as deemed necessary by the Commission.

The Commission makes studies, maps, plan, recommendations and reports, concerning the physical, environmental, social, economic, and governmental characteristic, functions, and services of the County. The City made no contributions in 2024 for operations of the Commission. The Commission is a joint venture since it cannot continue to exist without the financial support of the City. The City does not have an equity interest in the joint venture. The Commission is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statement can be obtained from the Commission located at 121 East Main Street, Van Wert, Ohio 45891.

**Community Improvement Corporation of the City of Van Wert and Van Wert County** (the CIC) – The CIC is a jointly governed organization between the City and the County. The general purpose of the CIC is to pursue and maintain economic development within the County.

The CIC is governed by a Board of Trustees made up of fifteen members, who include: three elected or appointed officers of the City, to be designated annually by the Board of County Commissioners; six people to be designated annually by the Board of Trustees of the Van Wert Area Chamber of Commerce; the President of the Van Wert Industrial Development Corporation (in ex officio status); and two people who are residents of the County, to be elected at the annual meeting of the members by a majority of the members listed previously.

**City of Van Wert**  
**Van Wert County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2024*

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**Related Organizations**

**Woodland Union Cemetery, Van Wert County**

The constitution and laws of the State of Ohio establish the rights and privileges for the Woodland Union Cemetery, Van Wert County, (the Cemetery). Pleasant Township and the City of Van Wert appoint a three-member Board of Trustees to direct cemetery operations. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the City for operational subsidies. Although the City serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Woodland Union Cemetery, 10968 Woodland Avenue, Van Wert, Ohio 45891.

**Public Entities Pool of Ohio (PEP)**

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. (See Note 7)

**Ohio Association of Public Treasurers Group Rating Plan (GRP)**

The City participates in the Ohio Association of Public Treasurers Group Rating Plan (GRP) for workers' compensation. The GRP is an up-front premium savings for the City's Ohio Bureau of Workers' Compensation premium. The GRP is based upon claims that have already occurred for the member participants. The GRP is offered in conjunction with CompManagement, LLC, the City's Third Party administrator for workers' compensation. Within that capacity, CompManagement provides risk management services to the City of Van Wert. Each year, the participants pay an enrollment fee to the program to cover the costs of administering the program. (See Note 7)

The City's management believes these financial statements present all activities for which the City is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the City's accounting policies.

**City of Van Wert**  
**Van Wert County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2024*

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**A. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance of the governmental and business-type activities of the City at year end. The statement of activities compares disbursements and program receipts for each program or function of the City's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the City is responsible.

Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the City, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the City.

**2. Fund Financial Statements**

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level.

The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges



**City of Van Wert**  
**Van Wert County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2024*

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for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

## **B. Fund Accounting**

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

### **1. Governmental Funds**

Governmental funds are those through which most governmental functions of the City are financed. The following are the City's major governmental funds:

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

**Street Construction Fund** - The street construction fund accounts for all financial resources resulting from .50 percent income tax. The street construction fund is for the following purpose: to design, build, maintain and inspect City streets for any related equipment, labor, materials and supplies.

**Police & Fire Safety Fund** – The police and fire safety fund accounts for financial resources for the purpose of capital improvements related to the police and fire departments.

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

### **2. Proprietary Funds**

The City classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

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

**Water Fund** - The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the City.

**Sewer Fund** - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the City.

**City of Van Wert**  
**Van Wert County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2024*

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**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 internal service fund accounts for monies received for the activities of the garage fund.

### **3. Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City's trust fund accounts for an endowment in which only the income is to be used to remove dead or dangerous trees from the City property between the sidewalk and the streets. Custodial funds are purely custodial in nature and are used to account for assets held by the City for individuals, other governments, or other organizations. The City's custodial funds accounts for the activity of the municipal court, State Patrol Rotary, ESID, and the Woodland Cemetery.

### **C. Basis of Accounting**

The City's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the City's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

### **D. Budgetary Process**

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates.

The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund, department, and object level for all funds.

**City of Van Wert**  
**Van Wert County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2024*

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

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

**E. Cash and Investments**

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

Cash and cash equivalents that are held separately within the Municipal Court of the City (Custodial Fund) and for the Walter Emans Memorial (Private Purpose Trust) are recorded as “Cash in Segregated Accounts”.

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During the year 2024, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

STAR Ohio reserves the right to limit participant transactions to \$250 million per day. Transactions in all of a participant’s accounts will be combined for this purpose. Twenty-four hours advance notice to STAR Ohio is appreciated for purchases or redemptions of \$100 million

**City of Van Wert**  
**Van Wert County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2024*

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or more. For fiscal year 2024, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

The City also reports “cash with fiscal agents” for monies held for Jefferson Health Plan.

Interest earnings are allocated to City funds according to State statutes, the Charter and Codified Ordinances of the City, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2024 was \$386,011 which includes \$293,707 assigned from other City funds.

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the City are reported as nonspendable.

The City also reports “restricted cash and cash equivalents” for monies held for water and sewer deposits.

**G. Inventory and Prepaid Items**

The City reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**I. Accumulated Leave**

For 2024, GASB Statement No. 101, Compensated Absences, was effective. GASB 101 defines a compensated absence as leave for which employees may receive cash payments when the leave is used for time off or receive cash payments for unused leave upon termination of employment. These payments could occur during employment or upon termination of employment. Compensated absences generally do not have a set payment schedule. The City does not offer noncash settlements.

City employees earn sick and vacation time that can be used for time off. In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave.

This GASB pronouncement had no effect on beginning net position/fund balance as unpaid leave is not reflected as a liability under the City’s cash basis of accounting.

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**J. Employer Contributions to Cost-Sharing Pension Plans**

The City recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-Term Obligations**

The City's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

**L. Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes primarily include resources restricted for street repair, and maintenance of State highways and local streets, recreation, loans to local businesses, and other revenues restricted for use by the municipal court and police department. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

**M. Fund Balance**

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

**Nonspendable** - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are 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 or enabling legislation (City ordinances).

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

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**Committed** - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** - Amounts in the assigned 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 City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute.

**Unassigned** - Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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. Interfund Transactions**

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

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

#### **O. Pensions**

For purposes of measuring the net pension liability, information about fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been

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determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**P. Leases**

The City is the lessee (as defined by GASB 87) in one lease related to equipment under noncancelable leases. Lease receivables/payables are not reflected under the City's modified cash basis of accounting. Lease revenue/disbursements are recognized when they are received/paid.

**Q. Subscription-Based Information Technology Arrangements (SBITA)**

The City may enter into SBITAs; however, liabilities are not reflected under the City's cash basis of accounting. SBITA disbursements are recognized when they are paid.

**R. Settlement Monies**

Ohio has reached settlement agreements with various distributors of opioids which are subject to the OneOhio memorandum of understanding. The original settlement was reached in 2021 with annual payments anticipated through 2038. Subsequently, settlements have been reached with other distributors. For 2024, distributions of \$36,030 are reflected as fines and forfeitures revenue in the Opioid Settlement Special Revenue Fund.

**S. New Accounting Pronouncements**

For 2024, GASB Statement No. 100, *Accounting Changes and Error Corrections* was effective. This GASB pronouncement had no effect on beginning net position/fund balance as the City had no accounting changes or error corrections related to 2024.

**Note 3 – Compliance**

Ohio Administrative Code, Section 117-2-03 (B), requires the City to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For 2024, the City prepared its financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement, No. 34, report on a basis of cash receipts and cash disbursements rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the City may be fined, and subject to various other administrative remedies for its failure to file the required financial report.

**Note 4 – Deposits and Investments**

Monies held by the City are classified by State statute into three categories.

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

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 held by the City can 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments; and, with certain limitations including a maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;



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

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

### ***Deposits***

At year-end, \$978 of the City's bank balance of \$381,160 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.

At December 31, 2024, the City reported cash with fiscal agent balance of \$716,255 with the Jefferson Health Plan, a public entity, risk sharing, claims servicing and insurance purchasing pool (see Note 7). The money is held by the claims servicing pool in a pooled account, which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the City. The classification of cash and cash equivalents with fiscal agent for the Jefferson Health Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Plan, Treasurer, 2023 Sunset Blvd., Steubenville, Ohio 43952.

***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.

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**Investments**

As of December 31, 2024, the City had the following investments:

| S&P<br>Global<br>Ratings |                             | Measurement  | Investment Maturities |                    |                        | Percent  |
|--------------------------|-----------------------------|--------------|-----------------------|--------------------|------------------------|----------|
|                          | Investment Type             | Value        | 12 Months<br>or Less  | 12 to 36<br>Months | More Than 36<br>Months | of Total |
|                          | Net Asset Value (NAV):      |              |                       |                    |                        |          |
| AAAm                     | STAR Ohio                   | \$ 543,934   | \$ 543,934            | \$ -               | \$ -                   | 3.27%    |
| AAAm                     | Money Market                | 1,359        | 1,359                 | -                  | -                      | 0.01%    |
|                          | Cost Basis:                 |              |                       |                    |                        |          |
| AA+                      | Repurchase Agreement        | 4,135,588    | 4,135,588             | -                  | -                      | 24.86%   |
| -                        | VW Municipal Court Improvem | 840,000      | 80,000                | 165,000            | 595,000                | 5.05%    |
| -                        | VW Municipal Building HVAC  | 811,238      | 41,859                | 86,883             | 682,496                | 4.88%    |
| AA+                      | FFCB                        | 1,000,000    | 1,000,000             | -                  | -                      | 6.01%    |
| AA+                      | FHLM                        | 500,000      | 500,000               | -                  | -                      | 3.01%    |
| AA+                      | FHLB                        | 3,500,000    | -                     | 3,500,000          | -                      | 21.04%   |
| A-1+                     | US Treasury Bills           | 1,920,919    | 1,920,919             | -                  | -                      | 11.55%   |
| AA+                      | US Treasury Notes           | 667,845      | -                     | -                  | 667,845                | 4.02%    |
| -                        | Certificates of Deposit     | 2,710,432    | 245,000               | 986,888            | 1,478,544              | 16.30%   |
|                          | Total Investments           | \$16,631,315 | \$ 8,468,659          | \$ 4,738,771       | \$ 3,423,885           | 100.00%  |

**Interest Rate Risk** Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk by requiring the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

**Credit Risk** The security underlying the repurchase agreement, the federal farm credit banks, federal home loan mortgage corporation and federal home loan bank carry a rating of Aaa by Moody's and AA+ by Standard and Poors. STAR Ohio carries a rating of AAAm by Standard and Poor's. The City has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of December 31, 2024, is 27 days and carries a rating of AAAm by S&P Global Ratings.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreement, federal national mortgage association notes and the federal home loan bank notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the City's name.

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The City has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

***Concentration of Credit Risk*** The City places no limit on the amount it may invest in any one issuer.

#### **Note 5 – Income Taxes**

The City levies a 1.72 percent income tax on substantially all income earned in the City. In addition, City residents employed in municipalities having an income tax less than 1.72 percent must pay the difference to the City. Additional increases in the income tax rate require voter approval. Employers within the City withhold income tax on employee compensation and remit at least quarterly and file an annual declaration.

The City's income tax ordinance requires that .72 percent of the income tax levied is to be used to finance capital improvements. As a result, .50 percent of receipts are allocated to the street construction fund and .22 percent of receipts are allocated to the police and fire safety fund each year. Starting in 2010, based on the prior year tax budget, up to 2/3 of the .22 percent of receipts allocated to the police and fire safety fund can be used for personal and fringe benefit expense for police and fire personnel. An amended police and fire fund was established for this activity.

The remaining income tax receipts are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. During 2024, the taxes were allocated to the general fund, street construction fund, police and fire safety fund.

#### **Note 6 – Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2024 for real and public utility property taxes represents collections of the 2023 taxes.

2024 real property taxes were levied after October 1, 2023 on the assessed value as of January 1, 2023, the lien date. Assessed values are established by State law at 35 percent of appraised market value.

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. 2024 public utility property taxes which became a lien December 31, 2023, are levied after October 1, 2023, and are collected in 2024 with real property taxes.

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The full tax rate for all City operations for the year ended December 31, 2024, was \$3.20 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2024 property tax receipts were based are as follows:

| <u>Category</u>                  | <u>Assessed Value</u> |
|----------------------------------|-----------------------|
| Real Estate                      | \$ 239,645,670        |
| Public Utility Personal Property | <u>17,051,790</u>     |
| Total Assessed Value             | <u>\$ 256,697,460</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.

#### **Note 7 – Risk Management**

##### **Property and Liability**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2024, the City also contracted for buildings and contents coverage. The City also contracted through Merkle Insurance Agency with the Public Entities Pool of Ohio for the remaining coverage.

Settled claims have not exceeded this commercial coverage in any of the past three years and there was no significant reduction in coverage from the prior year.

The City is exposed to various risks of property and casualty losses, and injuries to employees.

The City insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

##### ***Casualty and Property Coverage***

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

##### ***Financial Position***

PEP's financial statements (audited by other auditors) conform with general accepted accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and net position at December 31, 2023 and 2022 (most recent available):

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|                             | <u>2023</u>          | <u>2022</u>          |
|-----------------------------|----------------------|----------------------|
| Assets                      | \$ 67,306,752        | \$ 61,537,313        |
| Liabilities                 | <u>(23,172,377)</u>  | <u>(18,643,081)</u>  |
| Net Position - Unrestricted | <u>\$ 44,134,375</u> | <u>\$ 42,894,232</u> |

At December 31, 2023 the liabilities above include approximately \$18.6 million of estimated incurred claims payable. The assets above also include approximately \$67.3 million (\$61.5 million for 2022) of unpaid claims to be billed. The Pool's membership increased to 629 members in 2023 (610 in 2022). These amounts will be included in future contributions from members when the related claims are due for payment.

The Pool uses reinsurance and excess risk sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of its claims from reinsurers and a risk sharing pool; however, they do not discharge the Pool's primary liability for such payments. The Pool is a member of American Public Entity Excess Pool (APEEP), which, like PEP, is administered by York Risk Pooling Services, Inc. (York). APEEP provides the Pool with an excess risk sharing program. Under this arrangement, the Pool retains insured risks up to an amount specified in the contracts.

### **Worker's Compensation**

The City participates in the Ohio Association of Public Treasurers (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium is applied to all cities in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for all cities in the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. CompManagement provides administrative, cost control and actuarial services to the GRP.

### **Employee Medical Benefits**

The City is an allocated balance member of the Jefferson Health plan for the City's health insurance for medical and prescription drug coverage and with The Standard as the Provider for the City's term life insurance, and accidental death and dismemberment and Vision Service plan for insurance for vision. Fund Reserves or deficits are held by the plans fiscal agent. As of December 31, 2024 the City reserve balance was \$716,255. In 2020, the City went to a single High Deductible Plan with a Health Savings Account and Health Reimbursement Account for health insurance.

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**Note 8 – 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 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 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.

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. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The net pension/net OPEB liability are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the cash basis framework.

The remainder of this note includes the pension disclosures. See Note 9 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

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contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to this plan. In October 2023, the legislature approved House Bill (HB) 33 which allows for the consolidation of the combined plan with the traditional plan with the timing of the consolidation at the discretion of OPERS. As of December 31, 2023, the consolidation has not been executed. (The latest information available.) Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

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

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

State and local 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 at retirement.

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.

When a traditional plan 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. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the 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.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for



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payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

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

|  | <u>State<br/>and Local</u> | <u>Public<br/>Safety</u> | <u>Law<br/>Enforcement</u> |
|--|----------------------------|--------------------------|----------------------------|
| <b>2024 Statutory Maximum Contribution Rates</b> |                            |                          |                            |
| Employer   | 14.0 %                     | 18.1 %                   | 18.1 %                     |
| Employee   | 10.0 %                     | *                        | **                         |
| <b>2024 Actual Contribution Rates</b>            |                            |                          |                            |
| Employer:  |                            |                          |                            |
| Pension  | 14.0 %                     | 18.1 %                   | 18.1 %                     |
| Post-employment Health Care Benefits             | <u>0.0</u>                 | <u>0.0</u>               | <u>0.0</u>                 |
| Total Employer                                   | <u>14.0 %</u>              | <u>18.1 %</u>            | <u>18.1 %</u>              |
| Employee   | <u>10.0 %</u>              | <u>12.0 %</u>            | <u>13.0 %</u>              |

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

\*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined within the constraints of statutory limits for each division and expressed as a percentage of covered payroll. -The City's contractually required contribution was \$505,335 for 2024.

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

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

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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 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.

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:

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|  | <u>Police</u>  | <u>Firefighters</u> |
|--|----------------|---------------------|
| <b>2024 Statutory Maximum Contribution Rates</b> |                |                     |
| Employer   | 19.50 %        | 24.00 %             |
| Employee   | 12.25 %        | 12.25 %             |
| <b>2024 Actual Contribution Rates</b>            |                |                     |
| 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 \$593,859 for 2024.

***Pension Liability***

The net pension liability for OPERS was measured as of December 31, 2023, 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, 2023, and was determined by rolling forward the total pension liability as of January 1, 2023, to December 31, 2023. 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:

|  | <u>OPERS</u>     | <u>OP&amp;F</u>   | <u>Total</u>  |
|--|------------------|-------------------|---------------|
| Proportion of the Net Pension Liability:         |                  |                   |               |
| Current Measurement Period                       | 0.020289%        | 0.1013548%        |               |
| Prior Measurement Period                         | <u>0.019356%</u> | <u>0.0931602%</u> |               |
| Change in Proportion                             | <u>0.000933%</u> | <u>0.0081946%</u> |               |
| Proportionate Share of the Net Pension Liability | \$ 5,311,743     | \$ 9,792,272      | \$ 15,104,015 |

***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, 2023, 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:

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|   | OPERS Traditional Plan   | OPERS Combined Plan  |
|---|--|--|
| Wage Inflation                                  | 2.75 percent   | 2.75 percent   |
| Future Salary Increases,<br>including inflation | 2.75 to 10.75 percent<br>including wage inflation              | 2.75 to 8.25 percent<br>including wage inflation               |
| COLA or Ad Hoc COLA:                            |  |  |
| Pre-January 7, 2013 Retirees                    | 3.0 percent, simple  | 3.0 percent, simple  |
| Post-January 7, 2013 Retirees<br>(Current Year) | 2.3 percent, simple through 2024,<br>then 2.05 percent, simple | 2.3 percent, simple through 2024,<br>then 2.05 percent, simple |
| Post-January 7, 2013 Retirees<br>(Prior Year)   | 3.0 percent, simple through 2023,<br>then 2.05 percent, simple | 3.0 percent, simple through 2023,<br>then 2.05 percent, simple |
| Investment Rate of Return                       | 6.9 percent  | 6.9 percent  |
| Actuarial Cost Method                           | Individual Entry Age   | Individual Entry Age   |

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 and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. 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.

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

During 2023, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Defined Contribution portfolio and the Health Care portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 11.2 percent for 2023.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board 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 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 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, 2023, these best estimates are summarized in the following table:

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| Asset Class            | Target<br>Allocation | Weighted Average<br>Long-Term Expected<br>Real Rate of Return<br>(Geometric) |
|------------------------|----------------------|--|
| Fixed Income           | 24.00%               | 2.85%  |
| Domestic Equities      | 21.00                | 4.27   |
| Real Estate            | 13.00                | 4.46   |
| Private Equity         | 15.00                | 7.52   |
| International Equities | 20.00                | 5.16   |
| Risk Parity            | 2.00                 | 4.38   |
| Other investments      | 5.00                 | 3.46   |
| Total                  | 100.00%              |  |

**Discount Rate** The discount rate used to measure the total pension liability for the current year was 6.9 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 to Changes in the Discount Rate** The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 6.9 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

|  | 1% Decrease  | Current<br>Discount Rate | 1% Increase  |
|--|--------------|--------------------------|--------------|
| City's Proportionate Share of the<br>Net Pension Liability | \$ 8,362,111 | \$ 5,311,743             | \$ 2,774,724 |

**Actuarial Assumptions – OP&F**

The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth. The changes in assumptions are being amortized over the estimated remaining useful life of the participants which was 6.03 years at December 31, 2023.

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Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2023, are presented below.

|                            |   |
|----------------------------|---|
| Actuarial Cost Method      | Entry Age Normal  |
| Investment Rate of Return  | 7.5 percent   |
| Projected Salary Increases | 3.75 percent to 10.5 percent  |
| Payroll Growth             | 3.25 percent per annum,<br>compounded annually, consisting of<br>Inflation rate of 2.75 percent plus<br>productivity increase rate of 0.5 percent |
| Cost of Living Adjustments | 2.2 percent simple per year   |

Mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Mortality for contingent annuitants is based on the Pub-2010 Below-Median Safety Amount Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP-2021 Improvement Scale.

The most recent experience study was completed for the five-year period ended December 31, 2021.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) 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 real rates of return by the target asset allocation percentage and by adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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, 2023, are summarized below:

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| Asset Class                     | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|---------------------------------|----------------------|---|
| Domestic Equity                 | 18.60 %              | 4.10 %                                    |
| Non-US Equity                   | 12.40                | 4.90                                      |
| Private Markets                 | 10.00                | 7.30                                      |
| Core Fixed Income *             | 25.00                | 2.40                                      |
| High Yield Fixed Income         | 7.00                 | 4.10                                      |
| Private Credit                  | 5.00                 | 6.80                                      |
| U.S. Inflation Linked Bonds*    | 15.00                | 2.10                                      |
| Midstream Energy Infrastructure | 5.00                 | 5.80                                      |
| Real Assets                     | 8.00                 | 6.00                                      |
| Gold                            | 5.00                 | 3.50                                      |
| Private Real Estate             | 12.00                | 5.40                                      |
| Commodities                     | 2.00                 | 3.50                                      |
| Total                           | 125.00 %             |   |

Note: Assumptions are geometric.

\* levered 2.0x

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 2023, 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 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 7.50 percent. Based on those assumptions, OP&F's fiduciary net position was projected to be available to make all future benefit payment 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. 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<br>Discount Rate | 1% Increase  |
|--|---------------|--------------------------|--------------|
| City's Proportionate Share of the<br>Net Pension Liability | \$ 12,970,594 | \$ 9,792,272             | \$ 7,149,189 |

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**Note 9 - Defined Benefit OPEB Plans**

See Note 8 for a description of the net OPEB liability.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined and Member-Directed plans. 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. Retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice and other eligible expenses. An OPERS vendor is available to assist with the selection of a health care program

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

OPERS members enrolled in the Traditional Pension Plan or Combined Plan retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

**Age 65 or older Retirees** Minimum of 20 years of qualifying service credit

**Age 60 to 64 Retirees** Based on the following age-and-service criteria:

**Group A** 30 years of total service with at least 20 years of qualified health care service credit;

**Group B** 31 years of total service credit with at least 20 years of qualified health care service credit; or

**Group C** 32 years of total service cred with at least 20 years of qualified health care service credit.



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Retirees who do not meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

Members with a retirement date prior to January 1, 2022, who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022, as summarized in the following table:

| <b>Group A</b>   | <b>Group B</b>  | <b>Group C</b>  |
|--|---|---|
| <b>Age and Service Requirements</b><br><i>December 1, 2014 or Prior</i>              | <b>Age and Service Requirements</b><br><i>December 1, 2014 or Prior</i>   | <b>Age and Service Requirements</b><br><i>December 1, 2014 or Prior</i>             |
| Any Age with 10 years of service credit  | Any Age with 10 years of service credit   | Any Age with 10 years of service credit   |
| <b>January 1, 2015 through</b><br><b>December 31, 2021</b>                           | <b>January 1, 2015 through</b><br><b>December 31, 2021</b>  | <b>January 1, 2015 through</b><br><b>December 31, 2021</b>                          |
| Age 60 with 20 years of service credit or<br>Any Age with 30 years of service credit | Age 52 with 31 years of service credit or<br>Age 60 with 20 years of service credit or<br>Any Age with 32 years of service credit | Age 55 with 32 years of service credit or<br>Age 60 with 20 years of service credit |

See the Age and Service Retirement section of the OPERS ACFR for a description of Groups A, B and C.

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

The base allowance is determined by OPERS and is currently \$1,200 per month for non-Medicare retirees and \$350 per month for Medicare retirees. The retiree receives a percentage of the base allowance, calculated 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 for both non-Medicare and Medicare retirees.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50 percent of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

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Participants in the Member-Directed Plan have access to the Connector and have a separate health care funding mechanism. A portion of employer contributions for these participants is allocated to a retiree medical account (RMA). Members who elect the Member-Directed Plan after July 1, 2015, will vest in the RMA over 15 years at a rate of 10 percent each year starting with the sixth year of participation. Members who elected the Member-Directed Plan prior to July 1, 2015, vest in the RMA over a five-year period at a rate of 20 percent per year. Upon separation or retirement, participants may use vested RMA funds for reimbursement of qualified medical expenses.

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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. For fiscal year 2024, state and local employers contributed at a rate of 14.0 percent of earnable salary. 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 2024, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan. Beginning July 1, 2022, there was a two percent allocation to health care for the Combined Plan which has continued through 2024. 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 2024 was 4.0 percent. Effective July 1, 2022, a portion of the health care rate was funded with reserves which has continued through 2024.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for the year 2024.

***Ohio Police and Fire Pension Fund***

**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.

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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.

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](http://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 2024, 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 City's contractually required contribution to OP&F was \$14,001 for 2024.

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***OPEB Liability (Asset)***

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2022, rolled forward to the measurement date of December 31, 2023, 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, 2023, and was determined by rolling forward the total OPEB liability as of January 1, 2023, to December 31, 2023. 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:

|   | OPERS            | OP&F              |            |
|---|------------------|-------------------|------------|
| Proportion of the Net OPEB Liability (Asset): |                  |                   |            |
| Current Measurement Period                    | 0.020497%        | 0.1013548%        |            |
| Prior Measurement Period                      | 0.019693%        | 0.0931602%        |            |
| Change in Proportion                          | <u>0.000804%</u> | <u>0.0081946%</u> |            |
| Proportionate Share of the Net                |                  |                   | Total      |
| OPEB Liability (Asset)                        | \$ (184,990)     | \$ 740,023        | \$ 555,033 |

***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 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 the System and plan members. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

|                                 |                                |
|---------------------------------|--------------------------------|
| Wage Inflation                  | 2.75 percent                   |
| Projected Salary Increases,     | 2.75 to 10.75 percent          |
|                                 | including wage inflation       |
| Single Discount Rate            | 5.70 percent                   |
| Prior Year Single Discount Rate | 5.22 percent                   |
| Investment Rate of Return       | 6.00 percent                   |
| Municipal Bond Rate             | 3.77 percent                   |
| Prior Year Municipal Bond Rate  | 4.05 percent                   |
| Health Care Cost Trend Rate     | 5.5 percent, initial           |
|                                 | 3.50 percent, ultimate in 2038 |
| Actuarial Cost Method           | Individual Entry Age           |

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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 and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. 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.

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

During 2023, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Defined Contribution portfolio and the Health Care portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.0 percent for 2023.

The allocation of investment assets within the Health Care portfolio is approved by the Board 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 benefits provided through the defined benefit 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 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 real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2023, these best estimates are summarized in the following table:

| <u>Asset Class</u>           | <u>Target<br/>Allocation</u> | <u>Weighted Average<br/>Long-Term Expected<br/>Real Rate of Return<br/>(Geometric)</u> |
|------------------------------|------------------------------|--|
| Fixed Income                 | 37.00%                       | 2.82%  |
| Domestic Equities            | 25.00                        | 4.27   |
| Real Estate Investment Trust | 5.00                         | 4.68   |
| International Equities       | 25.00                        | 5.16   |
| Risk Parity                  | 3.00                         | 4.38   |
| Other investments            | 5.00                         | 2.43   |
| Total                        | <u>100.00%</u>               |  |

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**Discount Rate** A single discount rate of 5.70 percent was used to measure the total OPEB liability on the measurement date of December 31, 2023; however, the single discount rate used at the beginning of the year was 5.22 percent. 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) a 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 the actuarial assumed rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.77 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 the year 2070. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2070, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 5.70 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (4.70 percent) or one-percentage-point higher (6.70 percent) than the current rate:

|   | 1% Decrease | Current<br>Discount Rate | 1% Increase  |
|---|-------------|--------------------------|--------------|
| City's Proportionate Share of the<br>Net OPEB Liability (Asset) | \$ 101,665  | \$ (184,990)             | \$ (422,443) |

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate** Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability or asset. The following table presents the net OPEB liability or asset calculated using the assumed trend rates, and the expected net OPEB liability or 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 with changes over several years built into that assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2024 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 care 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<br>Trend Rate | 1% Increase  |
|---|--------------|-----------------------|--------------|
| City's Proportionate Share of the<br>Net OPEB Liability (Asset) | \$ (192,672) | \$ (184,990)          | \$ (176,274) |

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***Actuarial Assumptions – OP&F***

OP&F's total OPEB liability as of December 31, 2023, is based on the results of an actuarial valuation date of January 1, 2023, 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 retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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 calculating the total OPEB liability in the latest actuarial valuation are presented below:

|  |                              |
|--|------------------------------|
| Actuarial Cost Method                      | Entry Age Normal             |
| Investment Rate of Return                  | 7.5 percent                  |
| Projected Salary Increases                 | 3.50 percent to 10.5 percent |
| Payroll Growth                             | 3.25 percent                 |
| Blended discount rate:                     |                              |
| Current measurement rate                   | 4.07 percent                 |
| Prior measurement rate                     | 4.27 percent                 |
| Cost of Living Adjustments                 | 2.2 percent simple per year  |
| Projected Depletion Year<br>of OPEB Assets | 2038                         |

Mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

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Mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

The most recent experience study was completed for the five-year period ended December 31, 2021.

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 OP&F's Statement of Investment Policy. A forecasted rate of inflation serves as a 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 real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2023, are summarized below:

| Asset Class                     | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|---------------------------------|----------------------|---|
| Domestic Equity                 | 18.60 %              | 4.10 %                                    |
| Non-US Equity                   | 12.40                | 4.90                                      |
| Private Markets                 | 10.00                | 7.30                                      |
| Core Fixed Income *             | 25.00                | 2.40                                      |
| High Yield Fixed Income         | 7.00                 | 4.10                                      |
| Private Credit                  | 5.00                 | 6.80                                      |
| U.S. Inflation Linked Bonds*    | 15.00                | 2.10                                      |
| Midstream Energy Infrastructure | 5.00                 | 5.80                                      |
| Real Assets                     | 8.00                 | 6.00                                      |
| Gold                            | 5.00                 | 3.50                                      |
| Private Real Estate             | 12.00                | 5.40                                      |
| Commodities                     | 2.00                 | 3.50                                      |
| Total                           | 125.00 %             |   |

Note: Assumptions are geometric.

\* levered 2.0x

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.



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**Discount Rate** For 2023, the total OPEB liability was calculated using the discount rate of 4.07 percent. The projection of cash flows used to determine the discount rate assumed the contributions 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 7.5 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, the long-term assumed rate of return on investments of 7.5 percent was applied to periods before December 31, 2037, and the Municipal Bond Index Rate of 3.38 percent was applied to periods on and after December 31, 2037, resulting in a discount rate of 4.07 percent.

**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. To illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 4.07 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.07 percent), or one percentage point higher (5.07 percent), than the current rate:

|   | 1% Decrease | Current<br>Discount Rate | 1% Increase |
|---|-------------|--------------------------|-------------|
| City's Proportionate Share of the<br>Net OPEB Liability | \$ 911,503  | \$ 740,023               | \$ 595,603  |

**Note 10 – Debt**

The City's long-term debt activity for the year ended December 31, 2024 was as follows:

|  | Balance<br>12/31/2023 | Additions   | Reductions          | Balance<br>12/31/2024 |
|--|-----------------------|-------------|---------------------|-----------------------|
| <b>Governmental Activities</b>                     |                       |             |                     |                       |
| <i>Government Obligation Bonds</i>                 |                       |             |                     |                       |
| 4.50% VW Municipal Court Improvement Bonds         | \$ 915,000            | \$ -        | \$ (75,000)         | \$ 840,000            |
| 2.50% VW Municipal Building HVAC Improvement Bonds | 852,076               | -           | (40,838)            | 811,238               |
| <b>Total Governmental Activities</b>               | <u>\$ 1,767,076</u>   | <u>\$ -</u> | <u>\$ (115,838)</u> | <u>\$ 1,651,238</u>   |
| <b>Business-Type Activities</b>                    |                       |             |                     |                       |
| <i>Direct Borrowings:</i>                          |                       |             |                     |                       |
| 0.00% OPWC Allingham/Bonnewitz Pump Station        | \$ 216,351            | \$ -        | \$ (21,635)         | \$ 194,716            |
| 0.00% OWDA Loan #8055                              | 5,296,693             | -           | (331,041)           | 4,965,652             |
| <b>Total Business-Type Activities</b>              | <u>\$ 5,513,044</u>   | <u>\$ -</u> | <u>\$ (352,676)</u> | <u>\$ 5,160,368</u>   |
| <b>Total City Debt</b>                             | <u>\$ 7,280,120</u>   | <u>\$ -</u> | <u>\$ (468,514)</u> | <u>\$ 6,811,606</u>   |

**Governmental Activities:**

**Van Wert Municipal Court Improvement Bonds**

On February 16, 2013, the City issued \$1,500,000 in un-voted general obligation bonds to for the purpose of acquiring and renovating a building for use as a municipal court. The bonds were issued for a twenty year period with final maturity in 2033. The bonds will be paid from the Municipal Court Special Projects Fund.

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***Van Wert Municipal Building HVAC Improvement Bonds***

On March 19, 2020, the City issued \$968,710 in un-voted general obligation bonds to for the purpose of improving HVAC and lighting facilities at the municipal building. The bonds were issued for a twenty year period with final maturity in 2040. The bonds will be paid from the Police and Fire Safety Fund and General Fund.

***Business-type Activities:***

***Direct Borrowings***

**Ohio Water Development Authority (OWDA)**

OWDA loan 8055 was entered into in 2018. The loan is for \$7,003,200 for construction of a CSO pump station and diversion overflow structure payable over 20 years. The loan is being retired from the sewer enterprise 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 City to pay any fines or penalties incurred with interest.

**Ohio Public Works Commission (OPWC) Loan:**

The OPWC loan consists of \$865,410 owed to the Ohio Public Works Commission for the Allingham / Bonnewitz Pump Station. The OPWC loan is payable over a term of 20 years at an interest rate of 0%. The City began making semi- annual principal payments on July 1, 2009. Loan is being retired from the sewer enterprise fund.

In the event of default, as defined by the 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 City 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.

Principal and interest requirements to retire debt outstanding at December 31, 2024, were as follows:

| Year      | Governmental Activities |                   |                               |                   | Business Type Activities |                   | Total               |                   |
|-----------|-------------------------|-------------------|-------------------------------|-------------------|--------------------------|-------------------|---------------------|-------------------|
|           | Municipal Court Bonds   |                   | Municipal Building HVAC Bonds |                   | OWDA Loans               | OPWC Loan         |                     |                   |
|           | Principal               | Interest          | Principal                     | Interest          | Principal                | Principal         | Principal           | Interest          |
| 2025      | \$ 80,000               | \$ 37,800         | \$ 41,859                     | \$ 20,281         | \$ 331,042               | \$ 43,270         | \$ 496,171          | \$ 58,081         |
| 2026      | 80,000                  | 34,200            | 42,905                        | 19,234            | 331,042                  | 43,270            | 497,217             | 53,434            |
| 2027      | 85,000                  | 30,600            | 43,978                        | 18,162            | 331,042                  | 43,270            | 503,290             | 48,762            |
| 2028      | 90,000                  | 26,775            | 45,078                        | 17,062            | 331,042                  | 64,906            | 531,026             | 43,837            |
| 2029      | 95,000                  | 22,725            | 46,205                        | 15,935            | 331,041                  | -                 | 472,246             | 38,660            |
| 2030-2034 | 410,000                 | 47,250            | 248,938                       | 61,762            | 1,655,207                | -                 | 2,314,145           | 109,012           |
| 2035-2039 | -                       | -                 | 281,651                       | 29,049            | 1,655,232                | -                 | 1,936,883           | 29,049            |
| 2040-2042 | -                       | -                 | 60,624                        | 1,515             | -                        | -                 | 60,624              | 1,515             |
| Total     | <u>\$ 840,000</u>       | <u>\$ 199,350</u> | <u>\$ 811,238</u>             | <u>\$ 183,001</u> | <u>\$ 4,965,650</u>      | <u>\$ 194,716</u> | <u>\$ 6,811,604</u> | <u>\$ 382,351</u> |

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**Note 11 – Fund Balance**

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

|                                | General             | Street<br>Construction | Police & Fire<br>Safety | Other<br>Governmental<br>Funds | Total                |
|--------------------------------|---------------------|------------------------|-------------------------|--------------------------------|----------------------|
| <b>Nonspendable for:</b>       |                     |                        |                         |                                |                      |
| Unclaimed Monies               | 16,463              | -                      | -                       | -                              | 16,463               |
| <b>Total Nonspendable</b>      | <b>16,463</b>       | <b>-</b>               | <b>-</b>                | <b>-</b>                       | <b>16,463</b>        |
| <b>Restricted for:</b>         |                     |                        |                         |                                |                      |
| Capital Outlay                 | -                   | -                      | -                       | 178,737                        | 178,737              |
| Street Maintenance & Repairs   | -                   | -                      | -                       | 448,577                        | 448,577              |
| State Highway Improvement      | -                   | -                      | -                       | 283,608                        | 283,608              |
| Street Construction            | -                   | 2,811,192              | -                       | -                              | 2,811,192            |
| Police & Fire Capital          | -                   | -                      | 1,256,904               | -                              | 1,256,904            |
| Municipal Court                | -                   | -                      | -                       | 440,524                        | 440,524              |
| State & Federal Grants         | -                   | -                      | -                       | 68,305                         | 68,305               |
| Police & Fire Pension          | -                   | -                      | -                       | 54,784                         | 54,784               |
| Other Purposes                 | -                   | -                      | -                       | 199,002                        | 199,002              |
| Opioid Settlement              | -                   | -                      | -                       | 46,448                         | 46,448               |
| <b>Total Restricted</b>        | <b>-</b>            | <b>2,811,192</b>       | <b>1,256,904</b>        | <b>1,719,985</b>               | <b>5,788,081</b>     |
| <b>Committed for:</b>          |                     |                        |                         |                                |                      |
| Future Severance Payments      | 107,824             | -                      | -                       | -                              | 107,824              |
| Economic Development           | -                   | -                      | -                       | 159,811                        | 159,811              |
| Other Purposes                 | 101,980             | -                      | -                       | 30,220                         | 132,200              |
| <b>Total Committed</b>         | <b>209,804</b>      | <b>-</b>               | <b>-</b>                | <b>190,031</b>                 | <b>399,835</b>       |
| <b>Assigned for:</b>           |                     |                        |                         |                                |                      |
| General Government             | 30,562              | -                      | -                       | -                              | 30,562               |
| Police                         | 38,589              | -                      | -                       | -                              | 38,589               |
| Fire                           | 53,387              | -                      | -                       | -                              | 53,387               |
| Human Services                 | 12,948              | -                      | -                       | -                              | 12,948               |
| Community & Economic Develop   | 1,124               | -                      | -                       | -                              | 1,124                |
| Subsequent Year Appropriations | 1,444,687           | -                      | -                       | -                              | 1,444,687            |
| <b>Total Assigned</b>          | <b>1,581,297</b>    | <b>-</b>               | <b>-</b>                | <b>-</b>                       | <b>1,581,297</b>     |
| <b>Unassigned</b>              | <b>2,623,025</b>    | <b>-</b>               | <b>-</b>                | <b>-</b>                       | <b>2,623,025</b>     |
| <b>Total Fund Balance</b>      | <b>\$ 4,430,589</b> | <b>\$ 2,811,192</b>    | <b>\$ 1,256,904</b>     | <b>\$ 1,910,016</b>            | <b>\$ 10,408,701</b> |

**City of Van Wert**  
**Van Wert County, Ohio**  
*Notes to the Financial Statements*  
For the Year Ended December 31, 2024

**Note 12 – Interfund Activity**

***Transfers***

| Fund                           | Transfer In       | Transfer Out      |
|--------------------------------|-------------------|-------------------|
| General Fund                   | \$ 34,391         | \$ 103,291        |
| Street Construction Fund       | -                 | 3,284             |
| Nonmajor Governmental Funds    | 103,291           | 5,460             |
| Water Fund                     | -                 | 12,887            |
| Sewer Fund                     | -                 | 11,330            |
| Internal Service - Garage Fund | -                 | 1,430             |
| Total                          | <u>\$ 137,682</u> | <u>\$ 137,682</u> |

Several funds transferred \$34,391 to the general fund to be held for retirement and a payroll year that has 27 payroll periods. Transfers out of the General Fund were made primarily to funds to support operations.

**Note 13 – Construction and Contractual Commitments**

|                                 | Contractual<br>Commitment | Expended          | Balance<br>12/31/2024 |
|---------------------------------|---------------------------|-------------------|-----------------------|
| <i>Governmental Activities</i>  |                           |                   |                       |
| Choice One                      | \$ 478,250                | \$ 205,287        | \$ 272,963            |
| Fenson Contracting              | 1,083,387                 | -                 | 1,083,387             |
| Hohenbrink Excavating, LLC      | 343,566                   | -                 | 343,566               |
| Kleinfelder, Inc                | 39,000                    | 32,895            | 6,105                 |
| Total                           | <u>\$ 1,944,203</u>       | <u>\$ 238,182</u> | <u>\$ 1,706,021</u>   |
| <i>Business-Type Activities</i> |                           |                   |                       |
| Choice One                      | \$ 31,870                 | \$ 25,480         | \$ 6,390              |
| Hohenbrink Excavating, LLC      | 343,565                   | -                 | 343,565               |
| 120Water, Inc.                  | 5,381                     | -                 | 5,381                 |
| Jones & Henry Engineers, Ltd    | 224,000                   | 142,243           | 81,757                |
| Total                           | <u>\$ 604,816</u>         | <u>\$ 167,723</u> | <u>\$ 437,093</u>     |

**Note 14 – Budgetary Basis of Accounting**

While the City is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year

**City of Van Wert**  
**Van Wert County, Ohio**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2024*

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end encumbrances are treated as disbursements (budget) rather than assigned fund balance (cash). The encumbrances outstanding at year end (budgetary basis) amount to \$136,608 in the general fund. The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement:

|                                | <u>General Fund</u> |
|--------------------------------|---------------------|
| Cash Basis                     | \$ 275,918          |
| Funds Budgeted Elsewhere       | 5,279               |
| Adjustment for Encumbrances    | (136,608)           |
| Miscellaneous Cash Adjustments | (43,807)            |
| Hospitalization Surplus        | <u>(98,875)</u>     |
| Budget Basis                   | <u>\$ 1,907</u>     |

**Note 15 – Contingent Liabilities**

Amounts grantor agencies pay to the City are subject to audit and adjustment by the grantor. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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65 East State Street  
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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 Van Wert  
Van Wert County  
515 East Main Street  
Van Wert, Ohio 45891

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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Van Wert, Van Wert County, Ohio (the City) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 11, 2025, wherein we noted the City uses a special purpose framework other than generally accepted accounting principles.

***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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2024-001.

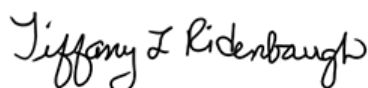
### ***City's Response to Findings***

*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  
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM  
Chief Deputy Auditor

July 11, 2025



CITY OF VAN WERT  
VAN WERT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2024

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

FINDING NUMBER 2024-001

**Noncompliance**

**Ohio Rev. Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**Ohio Admin. Code 117-2-03(B)** requires the City to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The City prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the City may be fined for its failure to file the required financial report. Failure to report on a GAAP basis compromises the City's ability to evaluate and monitor the overall financial condition of the City. To help provide the users with more meaningful financial statements, the City should prepare its annual financial statements according to generally accepted accounting principles.

**Officials' Response**

The City prepares its financial statements utilizing an Other Comprehensive Basis of Accounting. The City is unable to prepare GAAP statements due to lack of an adequate inventory of assets. The City is willing to take the risk of being fined as opposed to incurring the expense of a city wide inventory.

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# CITY of VAN WERT

515 EAST MAIN STREET • VAN WERT, OHIO 45891

[www.vanwert.org](http://www.vanwert.org)

"Vincit Amor Patriae"

The Love of Country Conquers

**ERIKA BLACKMORE**  
City Auditor

Phone: 419-238-6976  
Fax: 419-238-1999  
E: mail: [vwcityauditor@vanwert.org](mailto:vwcityauditor@vanwert.org)

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDING DECEMBER 31, 2024

| Finding Number | Finding Summary  | Status        | Additional Information  |
|----------------|--|---------------|---|
| 2023-001       | Ohio Revised Code 117.38, Ohio Admin Code 117-2-03 (B) The City did not file GAAP statements. Originally issued as 1998-001. | Not Corrected | The City prepares its financial statements utilizing Other Comprehensive Basis of Accounting. |

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# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF VAN WERT**

**VAN WERT COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 8/28/2025**

65 East State Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)