

CITY OF WASHINGTON COURTHOUSE, OHIO

Basic Financial Statements

Year Ended December 31, 2018

With Accountant's Compilation Report



CLARK SCHAEFER HACKETT
CPAs & ADVISORS

TABLE OF CONTENTS

Accountant's Compilation Report.....	1
Management's Discussion and Analysis	3 – 12
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position.....	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	15 – 16
Statement of Revenues, Expenditures and Changes in Fund Balances— Governmental Funds	17 – 18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budget (Non-GAAP) Basis—General Fund.....	19
Statement of Revenues, Expenditures and Changes in Fund Balance— Budget and Actual – Budget (Non-GAAP) Basis—Income Tax Levy Fund.....	20
Statement of Net Position – Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	22
Statement of Cash Flows – Proprietary Funds.....	23
Statement of Net Position – Fiduciary Fund.....	24
Statement of Changes in Net Position – Fiduciary Fund	25
Notes to the Basic Financial Statements	27 – 71
Required Supplementary Information:	
Schedules of City's Proportionate Share of the Net Pension Liability and Contributions	75 – 78
Schedules of City's Proportionate Share of the Net OPEB Liability and Contributions	79 – 82

To the City Council
City of Washington Court House:

Management is responsible for the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Washington Court House (the "City"), as of and for the year ended December 31, 2018, and related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of net pension liabilities, net OPEB liabilities and pension and OPEB contributions listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

This report is intended for the use of management and members of City Council, and the Auditor of State of Ohio, or their designee, and is not intended to be and should not be used by anyone other than those specified parties.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 11, 2019

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

The discussion and analysis of the City of Washington Court House's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2018. The purpose of this discussion and analysis is to look at the City's financial performance and discuss pertinent points to better help the reader to understand our performance.

Financial Highlights

Some of the City's financial highlights for the year ended December 31, 2018 include:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$24,577,238.
- The City's total net position increased during the year by \$383,224, or 2%.
- Total unrestricted net position deficit of \$12,811,658 was primarily attributable to the City recognizing its proportionate share of net pension and OPEB liabilities under state-wide multiple employer retirement plans under GASB Statement Nos. 68 and 75.
- The City's total expenses were \$18,445,472, an increase of \$596,880.
- Program revenues of \$8,249,239 reduced the net cost of the City's functions to be financed from the City's general revenues to \$10,196,233.
- The City's unassigned fund balance of the General Fund totaled \$692,223 at year end, or 11% of General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Washington Court House's basic financial statements. The City of Washington Court House's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the basic financial statements, and 4) required supplementary schedules on pensions and OPEB.

Government-Wide Financial Statements- The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector businesses. The statement of net position presents information on all of the City's assets and deferred outflows of resources and the City's liabilities and deferred inflows of resources, with the difference between the two groups reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net position changed during the recent fiscal year.

Both of the government-wide financial statements distinguish functions of the City of Washington Court House that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, security of persons and property, transportation, community environment, public health and leisure time activities. The business-type activities include water and sewer operations.

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Fund Financial Statements- A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law and by bond covenants. However, the City establishes many other funds to help control and manage money for particular purposes or to show that the City is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds- Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements use the modified accrual basis of accounting and provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information may be useful in evaluating a government's near term financing requirements. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation which follows the fund financial statements.

The City of Washington Court House maintains 45 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Income Tax Levy Fund and Permanent Improvement Fund, which are considered to be major funds. Data from the other 42 governmental funds are combined into a single, aggregated presentation.

Proprietary Funds- The City uses enterprise funds to account for its water and sewer operations. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities using the full accrual basis of accounting. The enterprise funds are used to report the same activities presented as business-type activities in the government-wide financial statements.

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

Notes to the Financial Statements- The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Statements

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions.

The statement of net position and the statement of activities include all assets, liabilities, deferred outflows and inflows of resources using the full accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Table 1 provides a summary of the City's net position for 2018 compared to 2017:

Table 1

	Governmental Activities		Business-Type Activities		Total	
	Restated		Restated		Restated	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and Other Assets	\$ 9,621,552	\$ 8,976,973	\$ 2,901,454	\$ 2,557,053	\$ 12,523,006	\$ 11,534,026
Capital Assets, Net	12,518,334	13,269,518	34,055,904	33,372,752	46,574,238	46,642,270
Total Assets	22,139,886	22,246,491	36,957,358	35,929,805	59,097,244	58,176,296
Deferred outflow of resources	2,913,705	2,934,320	460,987	913,705	3,374,692	3,848,025
Liabilities:						
Current and Other Liabilities	577,291	579,023	255,230	336,377	832,521	915,400
Long-Term Liabilities:						
Due Within One Year	1,130,223	1,211,627	1,992,202	1,467,065	3,122,425	2,678,692
Due in More than One Year:						
Net Pension Liability	8,120,311	9,172,416	1,510,156	2,218,934	9,630,467	11,391,350
Net OPEB Liability	6,777,521	5,643,347	989,772	917,637	7,767,293	6,560,984
Other Long-Term Amounts	9,859,966	10,536,689	3,325,264	3,579,229	13,185,230	14,115,918
Total Liabilities	26,465,312	27,143,102	8,072,624	8,519,242	34,537,936	35,662,344
Deferred inflow of resources	2,896,017	2,070,124	460,745	97,839	3,356,762	2,167,963
Net Position:						
Net investment in capital assets	3,038,104	3,041,074	29,022,338	28,564,082	32,060,442	31,605,156
Restricted	5,328,454	4,886,952	-	-	5,328,454	4,886,952
Unrestricted (deficit)	(12,674,296)	(11,960,441)	(137,362)	(337,653)	(12,811,658)	(12,298,094)
Total Net Position	\$ (4,307,738)	\$ (4,032,415)	\$ 28,884,976	\$ 28,226,429	\$ 24,577,238	\$ 24,194,014

The net pension liability (NPL) is one of the largest liabilities reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. For 2018, the City adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

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

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

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB Statement No. 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from \$1,578,695 to a negative \$4,032,415 for governmental activities and \$29,131,511 to \$28,226,429 for business-type activities.

Total assets increased by \$920,948, or 2%. The majority of the increase occurred in cash and investments due to positive operating results. Meanwhile, total liabilities decreased by \$1,124,408, or 3%. Long-term liabilities decreased by approximately \$1.1 million, primarily driven by the decrease in the City's proportionate share of net pension liabilities. The decrease was due to pension plan investments performing better than projected, which also led to the increase in deferred inflows of resources.

As noted earlier, the City's net position, when reviewed over time, may serve as a useful indicator of the City's financial position. By far, the largest portion of the City's net position (\$32,060,442 of the total \$24,577,238) reflects its investments in capital assets (e.g., land, buildings, machinery and equipment, infrastructure) less any related debt used to acquire those assets that are still outstanding and related deferred outflows of resources. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (represents resources that are subject to restrictions on how they can be used. The remaining balance was a deficit of \$12,811,658 which is attributable to the recognition of the City's proportionate share of net pension and OPEB liabilities reported in accordance with under GASB Statement Nos. 68 and 75. If the net pension and OPEB liabilities and related deferrals were excluded, the unrestricted net position reported by the City would be a positive \$3,597,341. As the operation of the state-wide retirement systems are outside the control of the City and varies significantly from year to year based on the performance of investments, it's important to acknowledge the significant recognition of the net pension and OPEB liabilities has on the City's reported net position.

The City's total net position increased from \$24,194,014 in 2017 to \$24,577,238 in 2018, a change of \$383,224 or 2%.

In order to further understand what makes up the changes in net position for the current year, Table 2 gives readers further details regarding the results of activities for 2017 and 2018.

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Table 2

	Governmental Activities		Business-Type Activities		Total	
			Restated			
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,417,342	\$ 1,292,027	\$ 5,709,069	\$ 5,757,967	\$ 7,126,411	\$ 7,049,994
Operating Grants/Contributions	271,967	124,380	26,035	23,630	298,002	148,010
Capital Grants/Contributions	824,826	987,176	-	-	824,826	987,176
General Revenues:						
Municipal Income Taxes	7,607,428	7,649,205	-	-	7,607,428	7,649,205
Property and Other Taxes	538,854	472,825	-	-	538,854	472,825
Payment in Lieu of Taxes	1,113,532	1,126,012	-	-	1,113,532	1,126,012
Intergovernmental	1,017,315	891,273	-	-	1,017,315	891,273
Investment Earnings	23,433	21,468	7,793	5,213	31,226	26,681
Other	139,474	311,649	131,628	112,920	271,102	424,569
Total Revenues	<u>12,954,171</u>	<u>12,876,015</u>	<u>5,874,525</u>	<u>5,899,730</u>	<u>18,828,696</u>	<u>18,775,745</u>
Program Expenses:						
Security of Person & Property	4,962,051	4,531,392	-	-	4,962,051	4,531,392
Public Health Services	459,536	419,633	-	-	459,536	419,633
Leisure Time Activities	23,611	24,548	-	-	23,611	24,548
Community Environment	2,030,400	1,948,514	-	-	2,030,400	1,948,514
Transportation	1,837,238	1,800,260	-	-	1,837,238	1,800,260
General Government	3,589,842	3,574,754	-	-	3,589,842	3,574,754
Interest and Fiscal Charges	326,816	364,549	-	-	326,816	364,549
Water	-	-	2,333,141	2,369,138	2,333,141	2,369,138
Sewer	-	-	2,882,837	2,815,804	2,882,837	2,815,804
Total Expenses	<u>13,229,494</u>	<u>12,663,650</u>	<u>5,215,978</u>	<u>5,184,942</u>	<u>18,445,472</u>	<u>17,848,592</u>
Change in Net Position	(275,323)	212,365	658,547	714,788	383,224	927,153
Net Position, beginning of year	(4,032,415)	N/A	28,226,429	N/A	24,194,014	N/A
Net Position, end of year	<u>\$ (4,307,738)</u>	<u>\$ (4,032,415)</u>	<u>\$ 28,884,976</u>	<u>\$ 28,226,429</u>	<u>\$ 24,577,238</u>	<u>\$ 24,194,014</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$44,792 computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the 2018 statements report OPEB expenses of \$656,927. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

	Governmental Activities	Business-Type Activities	Total
Total 2018 program expenses under GASB 75	\$ 13,229,494	\$ 5,215,978	\$ 18,445,472
OPEB expense under GASB 75	(572,723)	(84,204)	(656,927)
2018 contractually required contributions	<u>10,958</u>	<u>-</u>	<u>10,958</u>
Adjusted 2018 program expenses	12,667,729	5,131,774	17,799,503
Total 2017 program expenses under GASB 45	<u>12,663,650</u>	<u>5,184,942</u>	<u>17,848,592</u>
Change in program expenses not related to OPEB	<u>\$ 4,079</u>	<u>\$ (53,168)</u>	<u>\$ (49,089)</u>

Governmental Activities

The most significant program expenses for the City are Security of Persons and Property, General Government, Transportation, and Community Environment. These programs account for 94% of the total governmental activities. Security of Persons and Property, which accounts for 38% of the total, represents costs associated with the operation of the Police Department and costs associated with providing firefighting and emergency medical services. General Government, which accounts for 27% of the total, represents costs associated with the general administration of city government, including the City Council, City Manager, City Auditor and Municipal Court. Transportation, which accounts for 14% of the total, represents costs associated with streets and their upkeep. Community Environment, which accounts for 15% of the total, represents costs associated with developing and improving the downtown.

Funding for the most significant programs indicated is from income taxes, property taxes and payments in lieu of taxes, and intergovernmental. The income tax revenue for 2018 was \$7,607,428. Of the \$12,954,171 in total revenues, income tax accounts for 59% of that total. The property tax revenue and payments in lieu of property taxes for 2018 was \$1,652,386 or 13% of total revenues. The intergovernmental revenue for 2018 was \$1,017,315 or 8% of total revenue.

Total governmental activities revenue increased by approximately \$78,000, or less than 1%. The increase in governmental activities' expenses, after factoring out the effects of GASB Statement No. 75, was only \$4,079.

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

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

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Security of persons and property	\$ 4,962,051	\$ 4,765,403	\$ 4,531,392	\$ 4,528,191
Public health services	459,536	343,535	419,633	320,853
Leisure time activities	23,611	23,611	24,548	24,548
Community environment	2,030,400	2,030,400	1,948,514	1,948,514
Transportation	1,837,238	1,058,192	1,800,260	834,587
General government	3,589,842	2,167,402	3,574,754	2,238,825
Interest on long-term debt	326,816	326,816	364,549	364,549
Total Expenses	\$ 13,229,494	\$ 10,715,359	\$ 12,663,650	\$ 10,260,067

It should be noted that only 19% of the costs of services for governmental activities are derived from program revenues including charges for services, operating grants, capital grants and other contributions. As shown by the total net costs of \$10,715,359, the majority of the City's programs are funded by general revenues. A significant portion of the total general revenues consists of income taxes and property taxes.

Business-Type Activities

The City's major business-type activities include water and sewer operations. The Water Fund's operating income for 2018 was \$533,385, a decrease over the prior year of \$74,869. The Sewer Fund had operating income of \$265,277, an increase over the prior year of just \$5,066. These funds were analyzed in more detail under Proprietary Funds section below.

Financial Analysis of the City's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. These funds are accounted for by using the modified accrual basis of accounting.

The General Fund is the chief operating fund. At the end of 2018, the total fund balance for the General Fund was \$1,350,190, of which \$692,223 was unassigned. During the current year, the fund balance of the City's General Fund increased by \$356,342, or by 36%. Total revenue increased by 7%, while total expenditures increased by 3%. One of the biggest drivers for the increase was due to a \$153,000 increase in administration reimbursements from the Water and Sewer Funds.

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

The Income Tax Levy fund accounts for the majority of the collections from the 0.5% additional income tax rate that went into effect on January 1, 2016 (4% of the 0.5% income tax rate is dedicated for economic development and accounted for in a separate economic development fund). The Fund ended the year with a fund balance of \$430,810 to be used for public safety, cemetery operations and street infrastructure.

The Permanent Improvement Fund experienced an increase in fund balance of 56% during the year due to completion of projects during the year and decreases in debt service expenditures on outstanding loans.

Proprietary Funds

The City's major proprietary funds are the Water Fund and the Sewer Fund. The City provides water and sewer services to City residents. Net position in the Water Fund increased by \$472,948, or 4%, which was lower than the prior year increase of \$523,524, due to increases in OPEB expenses associated with the implementation of GASB Statement No. 75, and increases in depreciation expenses. Net position in the Sewer Fund also increased, by \$185,599, or 1%. This is due to a combination of increases in sewer rates, partially offset by increases in OPEB expenses and depreciation expenses.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a budget basis of cash receipts (revenues), and disbursements and encumbrances (expenditures). The most significant budgeted fund is the General Fund. The City does allow small interdepartmental budget changes that modify line items within departments within the same fund.

The original and final budgeted revenues were \$6,656,991 and \$6,871,491, respectively, an increase of 3%, as property tax collections and fines, licenses and permits were coming in higher than expected. Actual revenues were \$6,481,491, primarily due to lower than expected income taxes.

The original and final budgeted expenditures were \$6,834,562 and \$6,969,774, respectively, an increase of 2%, to budget for additional fire and police hires. Actual expenditures were \$6,225,038, \$744,736 less than the final budget due to having difficulty filling public safety positions and conservative budgeting.

Capital Assets and Debt Administration

The City's net investment in capital assets for governmental and business-type activities as of December 31, 2018, amounts to \$32,060,442 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress.

Total capital assets for governmental activities of the City of Washington Court House for the year 2018 were \$12,518,334, or \$751,184 less than in 2017. This decrease was due mainly to annual depreciation expense exceeding current year additions.

The increase in capital assets for business-type activities of \$683,152 to \$34,055,904 as of December 31, 2018 was due to continued design work on the new wastewater plan improvements, offset by annual depreciation expense.

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Additional information concerning the City's capital assets can be found in Note 6 of the notes to the basic financial statements.

As of December 31, 2018, the City of Washington Court House had \$14,147,701 (excluding premiums) in bonds, long-term notes, leases and loans outstanding, with \$2,809,044 due within one year (including the final payment on the 2012 Water Revenue Bonds).

Outstanding general obligation bonds consist of street, safety building, fire equipment and wastewater treatment plant improvement issues. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged.

Revenue bonds in the Water Fund were refinanced during 2012 to receive a lower interest rate. In addition to the bonds, notes and loans, the City's long-term obligations include compensated absences. Additional information concerning the City's debt can be found in Note 8 of the notes to the basic financial statements.

Current Known Facts and Conditions

The City has experienced some local economic stability for the last couple years. This has been aided by the City's passage of a $\frac{1}{2}$ percent increase in the income tax rate that it began collecting during 2016. Also, the City increased its sewer rates by 10% for the first three years, beginning in 2017, 5% for the next two years, and then 2% thereafter, to help finance planned wastewater plant improvements.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office, 105 N. Main Street, Washington C.H., Ohio 43160.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Net Position

December 31, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 5,627,932	\$ 1,998,930	\$ 7,626,862
Cash in segregated accounts	45,839	-	45,839
Receivables:			
Property taxes	441,781	-	441,781
Income taxes	1,704,489	-	1,704,489
Payment in lieu of taxes	1,035,000	-	1,035,000
Accounts	29,582	637,976	667,558
Loans, net	47,658	-	47,658
Intergovernmental	523,156	-	523,156
Special assessments	74,189	111,034	185,223
Prepaid items	30,426	78,613	109,039
Supplies inventory	61,500	74,901	136,401
Nondepreciable capital assets	1,515,395	3,468,267	4,983,662
Depreciable capital assets, net	11,002,939	30,587,637	41,590,576
Total assets	22,139,886	36,957,358	59,097,244
Deferred Outflows of Resources			
Deferred charges on refunding	466,770	29,399	496,169
Pensions	1,652,872	357,371	2,010,243
OPEB	794,063	74,217	868,280
Total deferred outflows of resources	2,913,705	460,987	3,374,692
Liabilities			
Accounts payable	71,335	113,037	184,372
Accrued wages payable	227,815	52,846	280,661
Intergovernmental payable	108,284	23,184	131,468
Matured compensated absences	74,146	-	74,146
Refundable advance	58,580	-	58,580
Accrued interest payable	37,131	66,163	103,294
Noncurrent liabilities:			
Due within one year	1,130,223	1,992,202	3,122,425
Due in more than one year:			
Net pension liability	8,120,311	1,510,156	9,630,467
Net OPEB liability	6,777,521	989,772	7,767,293
Other amounts due in more than one year	9,859,966	3,325,264	13,185,230
Total liabilities	26,465,312	8,072,624	34,537,936
Deferred Inflows of Resources			
Property taxes and payment in lieu taxes	1,467,000	-	1,467,000
Pensions	1,239,600	387,014	1,626,614
OPEB	189,417	73,731	263,148
Total deferred inflows of resources	2,896,017	460,745	3,356,762
Net Position			
Net investment in capital assets	3,038,104	29,022,338	32,060,442
Restricted for:			
Capital projects	1,718,060	-	1,718,060
Debt service	1,109,243	-	1,109,243
Cemetery operations	530,644	-	530,644
Public safety	646,404	-	646,404
Streets	642,586	-	642,586
Other purposes	681,517	-	681,517
Unrestricted (deficit)	(12,674,296)	(137,362)	(12,811,658)
Total net position	\$ (4,307,738)	\$ 28,884,976	\$ 24,577,238

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Activities

Year Ended December 31, 2018

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental activities:							
Security of persons and property	\$ 4,962,051	\$ -	\$ 150,788	\$ 45,860	\$ (4,765,403)	\$ -	\$ (4,765,403)
Public health services	459,536	116,001	-	-	(343,535)	-	(343,535)
Leisure time activities	23,611	-	-	-	(23,611)	-	(23,611)
Community environment	2,030,400	-	-	-	(2,030,400)	-	(2,030,400)
Transportation	1,837,238	80	-	778,966	(1,058,192)	-	(1,058,192)
General government	3,589,842	1,301,261	121,179	-	(2,167,402)	-	(2,167,402)
Interest on long-term debt	326,816	-	-	-	(326,816)	-	(326,816)
Total governmental activities	<u>13,229,494</u>	<u>1,417,342</u>	<u>271,967</u>	<u>824,826</u>	<u>(10,715,359)</u>	<u>-</u>	<u>(10,715,359)</u>
Business-type activities:							
Water	2,333,141	2,708,956	16,051	-	-	391,866	391,866
Sewer	<u>2,882,837</u>	<u>3,000,113</u>	<u>9,984</u>	<u>-</u>	<u>-</u>	<u>127,260</u>	<u>127,260</u>
Total business-type activities	<u>5,215,978</u>	<u>5,709,069</u>	<u>26,035</u>	<u>-</u>	<u>-</u>	<u>519,126</u>	<u>519,126</u>
Total	<u>\$ 18,445,472</u>	<u>\$ 7,126,411</u>	<u>\$ 298,002</u>	<u>\$ 824,826</u>	<u>(10,715,359)</u>	<u>519,126</u>	<u>(10,196,233)</u>
General revenues:							
Taxes:							
Income taxes				7,607,428	-	7,607,428	
Property taxes				538,854	-	538,854	
Payment in lieu of taxes				1,113,532	-	1,113,532	
Intergovernmental				1,017,315	-	1,017,315	
Investment earnings				23,433	7,793	31,226	
Miscellaneous				139,474	131,628	271,102	
Total general revenues				<u>10,440,036</u>	<u>139,421</u>	<u>10,579,457</u>	
Change in net position				(275,323)	658,547	383,224	
Net position beginning of year, <i>restated</i>				(4,032,415)	28,226,429	24,194,014	
Net position end of year				<u>\$ (4,307,738)</u>	<u>\$ 28,884,976</u>	<u>\$ 24,577,238</u>	

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO

Balance Sheet

Governmental Funds

December 31, 2018

	General Fund	Income Tax Levy	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	\$ 1,234,421	\$ 429,074	\$ 619,349	\$ 3,345,088	\$ 5,627,932
Cash in segregated accounts	26,894	-	-	18,945	45,839
Receivables:					
Property taxes	327,245	-	-	114,536	441,781
Income taxes	877,257	415,168	219,314	192,750	1,704,489
Payment in lieu of taxes	-	-	-	1,035,000	1,035,000
Accounts	26,632	-	-	2,950	29,582
Loans, net	-	-	-	47,658	47,658
Intergovernmental	208,892	-	28,925	285,339	523,156
Special assessments	74,189	-	-	-	74,189
Prepaid items	26,537	-	-	3,889	30,426
Supplies inventory	-	-	-	61,500	61,500
Total assets	\$ 2,802,067	\$ 844,242	\$ 867,588	\$ 5,107,655	\$ 9,621,552
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts payable	\$ 32,653	\$ 12,348	\$ 915	\$ 25,419	\$ 71,335
Accrued wages payable	131,103	77,481	-	19,231	227,815
Matured compensated absences payable	32,334	41,812	-	-	74,146
Intergovernmental payable	96,511	4,487	-	7,286	108,284
Refundable advance	-	-	-	58,580	58,580
Total liabilities	292,601	136,128	915	110,516	540,160
Deferred Inflows of Resources:					
Property taxes and payment in lieu taxes	320,000	-	-	1,147,000	1,467,000
Unavailable revenue	839,276	277,304	146,487	367,054	1,630,121
Total deferred inflows of resources	1,159,276	277,304	146,487	1,514,054	3,097,121
Fund Balances:					
Nonspendable	26,537	-	-	65,389	91,926
Restricted	-	430,810	720,186	3,358,355	4,509,351
Committed	-	-	-	59,341	59,341
Assigned	631,430	-	-	-	631,430
Unassigned	692,223	-	-	-	692,223
Total fund balances	1,350,190	430,810	720,186	3,483,085	5,984,271
Total liabilities, deferred inflows of resources and fund balances	\$ 2,802,067	\$ 844,242	\$ 867,588	\$ 5,107,655	\$ 9,621,552

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2018

Total governmental fund balances	\$ 5,984,271
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	12,518,334
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable in the funds:	
Income taxes receivable	1,138,483
Intergovernmental and other receivables	481,857
Delinquent property taxes	9,781
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds	(8,175,000)
Unamortized bond premiums	(849,889)
Lease/purchase agreement	(395,747)
Compensated absences	(1,043,189)
Accrued interest on long-term debt	(37,131)
OPWC loan	(526,364)
Deferred outflows of resources from losses on refunding are amortized over the life of the bonds and are not reported in the funds.	466,770
The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the governmental funds:	
Deferred outflows - pension	1,652,872
Deferred inflows - pension	(1,239,600)
Net pension liability	(8,120,311)
Deferred outflows - OPEB	794,063
Deferred inflows - OPEB	(189,417)
Net OPEB liability	<u>(6,777,521)</u>
Net position of governmental activities	<u>\$ (4,307,738)</u>

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2018

	General Fund	Income Tax Levy	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 424,739	\$ -	\$ -	\$ 118,468	\$ 543,207
Municipal income taxes	3,971,223	1,876,211	992,806	872,419	7,712,659
Intergovernmental	605,273	-	48,908	1,185,095	1,839,276
Charges for services	837,941	-	-	116,001	953,942
Fines, licenses and permits	428,256	-	-	291,936	720,192
Interest	22,093	-	-	1,340	23,433
Payment in lieu of taxes	-	-	-	1,113,532	1,113,532
Other	205,888	6,646	3,011	41,605	257,150
Total revenues	6,495,413	1,882,857	1,044,725	3,740,396	13,163,391
Expenditures:					
Current:					
Security of persons and property	2,499,239	1,476,609	-	127,194	4,103,042
Public health services	34,750	301,952	-	121,822	458,524
Leisure time activities	14,766	-	-	-	14,766
Community environment	863,363	-	-	601,009	1,464,372
Transportation	-	249,473	-	712,787	962,260
General government	2,726,953	28,730	-	918,974	3,674,657
Capital outlay	-	-	567,223	7,486	574,709
Debt service:					
Principal retirement	-	-	172,933	765,000	937,933
Interest and fiscal charges	-	-	44,772	312,845	357,617
Total expenditures	6,139,071	2,056,764	784,928	3,567,117	12,547,880
Excess (deficiency) of revenues over (under) expenditures	356,342	(173,907)	259,797	173,279	615,511
Other financing sources:					
Issuance of notes	-	-	-	217,324	217,324
Net change in fund balance	356,342	(173,907)	259,797	390,603	832,835
Fund balance, beginning of year	993,848	604,717	460,389	3,092,482	5,151,436
Fund balance, end of year	\$ 1,350,190	\$ 430,810	\$ 720,186	\$ 3,483,085	\$ 5,984,271

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Year Ended December 31, 2018

Net change in fund balances - total governmental funds \$ 832,835

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital asset additions	678,625	
Depreciation expense	<u>(1,364,697)</u>	(686,072)

In the statement of activities, loss on disposal of capital assets is reported whereas only proceeds from the sale, as applicable, are reported in the funds. (65,112)

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

Income taxes receivable	(105,231)	
Intergovernmental and other receivables	(99,636)	
Delinquent property taxes	<u>(4,353)</u>	(209,220)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Compensated absences	(23,428)	
Interest on long-term debt	3,196	
Change in deferred loss on refunding	(33,341)	
Change in bond premiums	<u>60,946</u>	7,373

Repayment of bond, note, and lease principal is an expenditure in the governmental funds, but the payments reduce long-term liabilities in the statement of net position. 937,933

The issuance of OPWC notes are recorded as other financing sources in the governmental funds, but are used to increase long-term debt in the statement of net position. (217,324)

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

Pension	810,342	
OPEB	<u>10,958</u>	

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

Pension	(1,124,313)	
OPEB	<u>(572,723)</u>	

Change in net position of governmental activities \$ (275,323)

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual - Budget (Non-GAAP) Basis

General Fund

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 380,000	\$ 408,000	424,739	\$ 16,739
Municipal income taxes	4,270,000	4,270,000	3,961,266	(308,734)
Intergovernmental	551,125	597,125	605,273	8,148
Charges for services	930,084	930,084	837,941	(92,143)
Fines, licenses and permits	390,200	438,200	429,617	(8,583)
Interest	28,000	28,000	16,843	(11,157)
Other	107,582	200,082	205,734	5,652
Total revenues	6,656,991	6,871,491	6,481,413	(390,078)
Expenditures:				
Current:				
Security of persons and property	2,856,284	2,902,144	2,533,589	368,555
Public health services	35,000	35,000	34,750	250
Leisure time activities	26,100	26,100	14,766	11,334
Community environment	931,285	931,285	880,787	50,498
General government	2,985,893	3,075,245	2,761,146	314,099
Total expenditures	6,834,562	6,969,774	6,225,038	744,736
Net change in fund balance	(177,571)	(98,283)	256,375	\$ 354,658
Fund balance, beginning of year	872,656	872,656	872,656	
Prior year encumbrances appropriated	57,397	57,397	57,397	
Fund balance, end of year	\$ 752,482	\$ 831,770	\$ 1,186,428	

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual - Budget (Non-GAAP) Basis

Income Tax Levy Fund

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$2,100,000	\$ 1,750,000	\$ 1,874,695	\$ 124,695
Other	<u>-</u>	<u>2,200</u>	<u>6,646</u>	<u>4,446</u>
Total revenues	<u>\$2,100,000</u>	<u>\$ 1,752,200</u>	<u>\$ 1,881,341</u>	<u>\$ 129,141</u>
Expenditures:				
Current:				
Security of persons and property	1,434,450	1,434,450	1,413,540	20,910
Public health services	328,685	328,685	300,695	27,990
Transportation	370,800	370,800	275,676	95,124
General government	<u>29,700</u>	<u>29,700</u>	<u>28,730</u>	<u>970</u>
Total expenditures	<u>2,163,635</u>	<u>2,163,635</u>	<u>2,018,641</u>	<u>144,994</u>
Net change in fund balance	(63,635)	(411,435)	(137,300)	<u>\$ 274,135</u>
Fund balance, beginning of year	527,032	527,032	527,032	
Prior year encumbrances appropriated	<u>17,966</u>	<u>17,966</u>	<u>17,966</u>	
Fund balance, end of year	<u>\$ 481,363</u>	<u>\$ 133,563</u>	<u>\$ 407,698</u>	

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Net Position

Proprietary Funds

December 31, 2018

	Enterprise Funds			
	Nonmajor Enterprise Fund			
	Water	Sewer		Totals
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 355,812	\$ 1,642,979	\$ 139	\$ 1,998,930
Receivables:				
Accounts	314,578	323,398	-	637,976
Special assessments	27,993	83,041	-	111,034
Advances to other funds	-	596,090	-	596,090
Prepaid items	39,822	38,791	-	78,613
Supplies inventory	74,901	-	-	74,901
Total current assets	<u>813,106</u>	<u>2,684,299</u>	<u>139</u>	<u>3,497,544</u>
Noncurrent assets:				
Nondepreciable capital assets	936,721	2,531,546	-	3,468,267
Depreciable capital assets, net	12,745,878	17,841,759	-	30,587,637
Total noncurrent assets	<u>13,682,599</u>	<u>20,373,305</u>	<u>-</u>	<u>34,055,904</u>
Total assets	<u>14,495,705</u>	<u>23,057,604</u>	<u>139</u>	<u>37,553,448</u>
<i>Deferred outflows of resources</i>				
Deferred charge on refunding	29,399	-	-	29,399
Pensions	171,847	185,524	-	357,371
OPEB	35,047	39,170	-	74,217
Total deferred outflows of resources	<u>236,293</u>	<u>224,694</u>	<u>-</u>	<u>460,987</u>
Liabilities				
Current Liabilities:				
Accounts payable	20,527	92,510	-	113,037
Accrued wages payable	25,647	27,199	-	52,846
Intergovernmental payable	9,774	13,410	-	23,184
Advances from other funds	596,090	-	-	596,090
Accrued interest payable	15,602	50,561	-	66,163
Loans payable	253,059	893,707	-	1,146,766
Compensated absences payable	34,281	41,155	-	75,436
Revenue bonds payable	770,000	-	-	770,000
Total current liabilities	<u>1,724,980</u>	<u>1,118,542</u>	<u>-</u>	<u>2,843,522</u>
Noncurrent liabilities:				
Compensated absences payable	79,574	99,491	-	179,065
Loans payable	400,755	2,733,069	-	3,133,824
Unamortized premiums	12,375	-	-	12,375
Net pension liability	729,909	780,247	-	1,510,156
Net OPEB liability	467,392	522,380	-	989,772
Total noncurrent liabilities	<u>1,690,005</u>	<u>4,135,187</u>	<u>-</u>	<u>5,825,192</u>
Total liabilities	<u>3,414,985</u>	<u>5,253,729</u>	<u>-</u>	<u>8,668,714</u>
<i>Deferred Inflows of Resources</i>				
Pensions	187,057	199,957	-	387,014
OPEB	34,817	38,914	-	73,731
Total deferred inflows of resources	<u>221,874</u>	<u>238,871</u>	<u>-</u>	<u>460,745</u>
<i>Net Position</i>				
Net investment in capital assets	12,275,809	16,746,529	-	29,022,338
Unrestricted (deficit)	(1,180,670)	1,043,169	139	(137,362)
Total net position	<u>\$ 11,095,139</u>	<u>\$ 17,789,698</u>	<u>\$ 139</u>	<u>\$ 28,884,976</u>

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO
 Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended December 31, 2018

	Enterprise Funds				Nonmajor Enterprise Fund	Totals
	Water	Sewer	 	 		
	 	 	 	 		
Operating revenues:						
Charges for services	\$ 2,708,956	\$ 3,000,113	\$	-	\$ 5,709,069	
Other	78,051	53,577		-	131,628	
Total operating revenues	<u>2,787,007</u>	<u>3,053,690</u>		-	<u>5,840,697</u>	
Operating expenses:						
Personnel services	1,019,718	1,113,462		-	2,133,180	
Contractual services	414,018	624,649		-	1,038,667	
Supplies and materials	264,081	145,069		-	409,150	
Other	251,555	265,174		-	516,729	
Depreciation	304,250	640,059		-	944,309	
Total operating expenses	<u>2,253,622</u>	<u>2,788,413</u>		-	<u>5,042,035</u>	
Operating income	533,385	265,277		-	798,662	
Non-operating revenues (expenses):						
Investment earnings	3,031	4,762		-	7,793	
Interest expense and fiscal charges	(79,519)	(94,424)		-	(173,943)	
Intergovernmental revenue	16,051	9,984		-	26,035	
Total non-operating revenues (expenses)	<u>(60,437)</u>	<u>(79,678)</u>		-	<u>(140,115)</u>	
Change in net position	472,948	185,599		-	658,547	
Net position, beginning of year, <i>restated</i>	<u>10,622,191</u>	<u>17,604,099</u>	<u>139</u>	<u>139</u>	<u>28,226,429</u>	
Net position, end of year	<u>\$ 11,095,139</u>	<u>\$ 17,789,698</u>	<u>\$ 139</u>	<u>\$ 139</u>	<u>\$ 28,884,976</u>	

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2018

	Enterprise Funds			
			Nonmajor	Enterprise Fund
	Water	Sewer	Totals	
Cash flows from operating activities:				
Cash received from customers	\$ 2,818,745	\$ 3,078,973	\$ -	\$ 5,897,718
Cash payments for employee services and benefits	(919,886)	(988,944)	-	(1,908,830)
Cash payments to suppliers for goods and services	(681,863)	(767,595)	-	(1,449,458)
Cash payments for other operating expenses	(251,555)	(354,704)	-	(606,259)
Cash received from other operating revenue	79,391	41,568	-	120,959
Net cash from operating activities	<u>1,044,832</u>	<u>1,009,298</u>	<u>-</u>	<u>2,054,130</u>
Cash flows from noncapital financing activities:				
Intergovernmental revenue	16,051	9,984	-	26,035
Repayment of advances from/to other funds	(45,854)	45,854	-	-
Net cash from noncapital financing activities	<u>(29,803)</u>	<u>55,838</u>	<u>-</u>	<u>26,035</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(98,141)	(1,529,320)	-	(1,627,461)
Proceeds from loan draws	-	1,622,014	-	1,622,014
Principal payments on bonds and loans	(997,329)	(416,812)	-	(1,414,141)
Interest paid on bonds, notes and loans	(69,062)	(73,975)	-	(143,037)
Net cash from capital and related financing activities	<u>(1,164,532)</u>	<u>(398,093)</u>	<u>-</u>	<u>(1,562,625)</u>
Cash flows from investing activities:				
Interest	3,031	4,762	-	7,793
Net cash from investing activities	<u>3,031</u>	<u>4,762</u>	<u>-</u>	<u>7,793</u>
Net change	(146,472)	671,805	-	525,333
Cash and pooled investments beginning of year	<u>502,284</u>	<u>971,174</u>	<u>139</u>	<u>1,473,597</u>
Cash and pooled investments end of year	<u>\$ 355,812</u>	<u>\$ 1,642,979</u>	<u>\$ 139</u>	<u>\$ 1,998,930</u>
Reconciliation of operating income to net cash from operating activities:				
Operating income	\$ 533,385	\$ 265,277	\$ -	\$ 798,662
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	304,250	640,059	-	944,309
Changes in assets, liabilities and deferred outflows and inflows:				
Receivables	111,129	66,851	-	177,980
Prepaid items	(508)	-	-	(508)
Supplies inventory	3,460	-	-	3,460
Accounts payable	(7,722)	(89,442)	-	(97,164)
Accrued wages	(419)	1,357	-	938
Intergovernmental payable	(818)	2,014	-	1,196
Compensated absences payable	42,161	33,514	-	75,675
Deferred outflows - pensions and OPEB	208,814	214,505	-	423,319
Deferred inflows - pensions and OPEB	173,953	188,953	-	362,906
Net pension and OPEB liabilities	<u>(322,853)</u>	<u>(313,790)</u>	<u>-</u>	<u>(636,643)</u>
Net cash from operating activities	<u>\$ 1,044,832</u>	<u>\$ 1,009,298</u>	<u>\$ -</u>	<u>\$ 2,054,130</u>

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Net Position

Fiduciary Funds

December 31, 2018

	Private- Purpose Trust Fund	Agency Funds
Assets		
Equity in pooled cash and cash equivalents	\$ 16,591	\$ 66,418
Cash in segregated accounts	-	41,170
Total assets	<u>16,591</u>	<u>107,588</u>
Liabilities		
Intergovernmental payable	-	32,407
Deposits held and due to others	-	75,181
Total liabilities	<u>-</u>	<u>\$ 107,588</u>
Net Position		
Held in trust	<u>\$ 16,591</u>	

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Changes in Net Position
Fiduciary Fund
Year Ended December 31, 2018

	<u>Private- Purpose Trust Fund</u>
<i>Additions:</i>	
Miscellaneous	\$ 2,000
<i>Deductions:</i>	
Contractual Services	2,935
Change in net position	(935)
Net position, beginning of year	<u>17,526</u>
Net position, end of year	<u>\$ 16,591</u>

See accompanying notes and accountant's compilation report.

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CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 1 - DESCRIPTION OF THE ENTITY

The City of Washington Court House (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under a city manager form of government and provides various services including police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, and other governmental services. In addition, the City provides basic utilities in the form of water services and waste water treatment.

As required by generally accepted accounting principles, the basic financial statements present the City of Washington Court House (the primary government) and any component units. The City considered potential component units for inclusion in the financial statements. In determining whether to include a government department, agency, commission or organization as a component unit, the City must evaluate each entity as to whether they are legally separate and financially accountable based on criteria set forth by Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue or be sued and (3) the right to buy, sell, lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of a specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the City. The City included no component units in the financial statements.

The City is associated with Carnegie Public Library, which is defined as a related organization (Note 14).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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

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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Fund Accounting

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

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

- ***General Fund*** – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.
- ***Income Tax Levy Fund*** – The Income Tax Levy Fund is used to account for the 0.5% voted income tax levy passed in 2015 restricted for maintaining and operating cemeteries, maintaining fire protection, police protection, detention facilities, emergency medical services, general contraction, and reconstruction, resurfacing and repairing street roads and bridges.
- ***Permanent Improvement Fund*** – The Permanent Improvement Fund is used to account for income taxes, grants, and loan proceeds used for various improvements of the City.

The other governmental funds of the City account for financing grants and other resources whose use is restricted to a particular purpose.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Proprietary funds: Proprietary fund reporting focuses on changes in net position, financial position and cash flows. The City's proprietary funds are classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

- ***Water Fund*** – This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.
- ***Sewer Fund*** – This fund accounts for the provision of sanitary sewer treatment to residential and commercial users located within the City.

Fiduciary funds: Fiduciary fund reporting focuses on net position. The City has a private-purpose trust fund and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's trust fund is a private-purpose trust fund established to account for assets (escheat property) held for individuals as unclaimed funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for assets that are held pending determination of their disposition. The City's four agency funds consist of the Law Enforcement Trust, Betterment of Inma, Street Replacement and Dog Park.

Measurement Focus

Governmental-wide financial statements: The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the City are included on the statement of net position.

Fund financial statements: All governmental fund types are accounted for using current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred inflows of resources are included on the balance sheet.

The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

The private-purpose trust fund is reported using the economic resources measurement focus.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: municipal income taxes, grants, state-levied shared taxes (including gasoline tax), fines and forfeitures, and investment earnings.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. For the City, deferred outflows of resources are reported on the government-wide and proprietary fund statements of financial position for deferred charge on refunding, pension and other postemployment benefits (OPEB). A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB are explained in Notes 10 and 11.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized until that time. For the City, deferred inflows of resources include property taxes and payments in lieu of taxes, unavailable revenue, pension and OPEB. Property taxes and payments in lieu of taxes represent amounts that are measurable as of December 31, 2018, but are intended to finance 2019 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (sixty days after year-end). The deferred inflows of resources related to pension and OPEB are reported on the government-wide and proprietary fund statements of net position (see Notes 10 and 11).

Expenses/Expenditures

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

Budgetary Accounting and Control

Under Ohio law, City Council must adopt an appropriations budget by January 1st of a given year, or adopt a temporary appropriation measure with final passage of a permanent budget by April 1st, for all funds except Agency Funds. Budgets are adopted for each organizational unit by fund.

Each City department prepares a budget which is approved by City Council. All modifications made throughout the year to the original department budgets must be requested by the departmental management and approved through legal resolution by City Council, except in the travel transportation, materials and supplies, and contractual services and miscellaneous or other expenditure categories of each department.

Several budget modifications and supplemental appropriations were made during the year and each revised budget amount reported in the budget to actual comparisons includes all modifications and supplemental appropriations that were necessary.

The City maintains budgetary control by fund, department and object level. Ordinance does not permit expenditures and encumbrances to exceed appropriations for each fund. Unencumbered and unexpended appropriations lapse at year-end in all budgeted funds. Prior year encumbrances and corresponding prior year appropriations are carried forward as part of the budgetary authority for next year and are included in the original and revised budget amounts shown in the budget-to-actual comparisons.

The City's budgetary process accounts for certain transactions on a budgetary basis instead of a GAAP basis. The major differences between the budget basis and the GAAP basis are that revenues are recorded when actually received (budget basis) as opposed to when susceptible to accrual (GAAP basis), and expenditures are recorded when paid (budget basis) as opposed to when incurred (GAAP basis). Additionally, the City reflects outstanding encumbrances at year-end as expenditures on the budgetary basis.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Tax Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources.

The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement as final reflects the amounts in the final amended official certificate of estimated resources issued during 2018.

Reconciliation of Budget Basis to GAAP Basis

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

The Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual - Budget (Non-GAAP Basis) is presented for the General Fund and Income Tax Levy Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balance (GAAP).

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund and Income Tax Levy Fund:

	<u>General</u>	<u>Income</u>
	<u>Fund</u>	<u>Tax Levy</u>
Net change in fund balance - GAAP Basis	\$ 356,342	(173,907)
Increase / (decrease):		
Due to revenues	(14,000)	(1,516)
Due to expenditures	(37,974)	59,500
Due to encumbrances	<u>(47,993)</u>	<u>(21,377)</u>
Net change in fund balance - Budget Basis	<u>\$ 256,375</u>	<u>(137,300)</u>

Cash and Investments

Cash and investments of the City's funds, except those held in restricted asset accounts, are pooled and invested in short-term investments in order to provide improved cash management. During 2018, the City's funds were invested in interest bearing demand accounts and certificates of deposit with commercial banks, money market accounts, the State Treasury Assets Reserve of Ohio (STAR Ohio), U.S. agencies securities and HH bonds. For purposes of the statement of cash flows, the enterprise funds' portion of cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from the enterprise funds without prior notice or penalty.

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Investments in STAR Ohio are valued at the net asset value per share provided by STAR Ohio on an amortized cost basis at December 31, 2018, which approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Receivables

Receivables at December 31, 2018 consist of property and income taxes, payments in lieu of taxes, consumer accounts (billings for user charged services, included unbilled utility services), loans, special assessments and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full, except as noted below, including accounts receivables which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

Loans receivable in the Nonmajor Governmental Funds represent low interest loans made by the City for community development projects and small businesses under the Community Development Block Grants (CDBG) program. The loans bear interest at annual rates ranging from 2 to 6 percent. The loans are to be repaid over periods ranging from 10 to 20 years. The City maintained an allowance at December 31, 2018 of \$20,415 for doubtful collections.

Inventories

Inventories are presented at cost on a first-in, first-out basis and are expensed when used. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when consumed.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2018 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and the expenditure/expense in the year in which the services are consumed.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their acquisition value as of the date received. The City maintains a capitalization threshold of two hundred dollars. The City's infrastructure consists of streets, traffic signals, flood wall, park lighting, and water and sewer lines, valves and meters.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized. All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Machinery and Equipment	8 - 20 years
Vehicles	3 - 5 years
Infrastructure	25 years

Compensated Absences

The City follows the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. The City records a liability for sick leave, vacation, and compensatory time when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined.

The entire compensated absences liability is reported on the government-wide financial statements. In governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignation or retirement. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability on the fund financial statements.

Accrued Liabilities and Long-Term Obligations

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

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Pensions and OPEB

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sanitary sewer services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Revenues and expenses that do not meet these definitions are classified as non-operating.

Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers within governmental activities and within business type activities are eliminated on the government-wide statement of activities. Receivables and payables resulting from interfund loans are classified as “advances to/from other funds”. These amounts are eliminated on the government-wide statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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

Fund Balances

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 a spendable form, or legally or contractually required to be maintained intact. The “not in a spendable form” criterion includes items that are not expected to be converted into cash.

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts. Interim monies may be deposited or invested in the following securities:

- (1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- (3) Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily and that the term of the agreement must not exceed thirty days;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No-load money market funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreement secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (6) The State Treasury Assets Reserve of Ohio (STAR Ohio); and

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

- (1) Bonds of the State of Ohio;
- (2) Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is not default of principal, interest or coupons; and
- (3) Obligations of the City.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS – *continued*

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*, and amended by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). Financial institutions participating in the Ohio Pooled Collateral System (OPCS), a centralized collateral system monitored by the State Treasurer's Office, must pledge eligible securities equal to at least 102% of the carrying value of all public deposits held by each institution. Financial institutions choosing not to participate in the OPCS must pledge eligible securities equal to at least 105% of the carrying value of all the public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end, the carrying amount of the City's deposits was \$4,506,162 and the bank balance was \$4,557,983. The City's bank balance was covered by FDIC and collateralized with securities held by the pledging financial institution's trust department or agent, respectively.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS - *continued*

Investments: The City's investments at December 31, 2018 are summarized as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Concentration of Credit Risk</u>
FFCB	\$ 696,633	1.77	21.17%
FNMA	593,436	1.10	18.03%
FHLMC	436,783	2.03	13.27%
FHLB	443,530	2.60	13.48%
Negotiable Certificates of Deposit	1,032,392	1.74	31.38%
STAROhio	29,726	-	0.90%
Series HH Bonds	4,000	-	0.12%
Money Markets	<u>54,218</u>	-	<u>1.65%</u>
	<u>\$ 3,290,718</u>		<u>100.00%</u>

Credit Risk: It is the City's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality of the top 2 ratings by nationally recognized statistical rating organizations. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City's investments in U.S. Agency obligations were rated AA+ by Standard & Poor's and Aaa by Moody's. The City's investments in the U.S. Money Market Funds and STAR Ohio were rated AAA by Standard & Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a failure of a counter party, 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 City's investment securities are registered in the name of the City. The City's investment policy does not address custodial credit risk.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the City manages its exposure to declines in fair value by limiting the maximum maturity of investments in its portfolio to five years.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS - *continued*

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Investments classified in Level 2 of the fair value hierarchy are valued using pricing sources as provided by the investment managers. The City has the following recurring fair value measurements as of December 31, 2018:

Investments by Fair Value	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		(Level 1)	(Level 2)	(Level 3)
Negotiable CDs	\$ 1,032,392	\$ -	\$ 1,032,392	\$ -
U.S. Agency Obligations	<u>2,170,382</u>	<u>-</u>	<u>2,170,382</u>	<u>-</u>
Total	<u>\$ 3,202,774</u>	<u>\$ -</u>	<u>\$ 3,202,774</u>	<u>\$ -</u>

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes are levied after October 1, 2018 on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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 current is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes, which became a lien December 31, 2017 are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The Fayette County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Washington Court House. The County Auditor periodically remits to the City its portion of the taxes collected. The assessed value upon which the 2018 taxes were collected was \$231,353,400. The full tax rate for all City operations applied for real property for fiscal year ended December 31, 2018 was \$2.30 per \$1,000 of assessed valuation. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Accrued property taxes receivable represents delinquent taxes outstanding and real tangible personal and public utility taxes which were measurable as of December 31, 2018. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not intended to finance 2018 operations. The receivable is therefore offset by a credit to deferred inflows of resources.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 5 - INCOME TAX

The City levies a municipal income tax of 1.45% on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100% of the City's current tax rate. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are used for general fund operations, permanent improvements, and the safety building, as determined by the Council.

Beginning on January 1, 2016, the income tax rate increased to 1.95%, after the voters approved an additional 0.5% income tax for purposes of maintaining and operating cemeteries, maintaining fire protection, police protection, detention facilities, emergency medical services, general construction, reconstruction, resurfacing and repairing streets, roads and bridges. Additionally, 4% of the 0.5% increase is restricted for economic development and is accounted for in an economic development fund. The remaining 96% of the 0.5% increase is accounted for in an income tax levy fund.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance			Balance
	1/1/18	Additions	Deletions	12/31/18
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$ 1,100,975	\$ -	\$ (22,500)	\$ 1,078,475
Construction in progress	<u>156,920</u>	<u>517,557</u>	<u>(237,557)</u>	<u>436,920</u>
<i>Total Nondepreciable Capital Assets</i>	<u>1,257,895</u>	<u>517,557</u>	<u>(260,057)</u>	<u>1,515,395</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	552,938	-	-	552,938
Buildings and Improvements	9,068,603	68,460	-	9,137,063
Equipment and Vehicles	6,351,623	161,068	(53,599)	6,459,092
Infrastructure	<u>51,110,435</u>	<u>147,374</u>	<u>-</u>	<u>51,257,809</u>
<i>Total Depreciable Capital Assets</i>	<u>67,083,599</u>	<u>376,902</u>	<u>(53,599)</u>	<u>67,406,902</u>
<i>Accumulated Depreciation:</i>				
Land Improvements	(515,856)	(6,723)	-	(522,579)
Buildings and Improvements	(2,026,405)	(203,792)	-	(2,230,197)
Equipment and Vehicles	(4,887,448)	(272,625)	32,710	(5,127,363)
Infrastructure	<u>(47,642,267)</u>	<u>(881,557)</u>	<u>-</u>	<u>(48,523,824)</u>
<i>Total Accumulated Depreciation</i>	<u>(55,071,976)</u>	<u>(1,364,697)</u>	<u>32,710</u>	<u>(56,403,963)</u>
<i>Total Govt Activities Capital Assets, Net</i>	<u>\$ 13,269,518</u>	<u>\$ (470,238)</u>	<u>\$ (280,946)</u>	<u>\$ 12,518,334</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 6 - CAPITAL ASSETS - continued

Depreciation expense was charged to governmental functions as follows:

Security of Persons and Property	\$ 423,515
Leisure Time Activities	8,845
Public Health	920
Transportation	889,937
General Government	<u>41,480</u>
Total Depreciation Expense	<u>\$ 1,364,697</u>

	Balance			Balance
	1/1/18	Additions	Deletions	12/31/18
Business Type Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$ 1,198,935	\$ -	\$ -	\$ 1,198,935
Construction in progress	<u>794,655</u>	<u>1,474,677</u>	<u>-</u>	<u>2,269,332</u>
<i>Total Nondepreciable Capital Assets</i>	<u>1,993,590</u>	<u>1,474,677</u>	<u>-</u>	<u>3,468,267</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	659,819	-	-	659,819
Buildings and Improvements	26,565,018	-	-	26,565,018
Equipment and Vehicles	3,181,015	152,784	-	3,333,799
Infrastructure	<u>24,266,106</u>	<u>-</u>	<u>-</u>	<u>24,266,106</u>
<i>Total Depreciable Capital Assets</i>	<u>54,671,958</u>	<u>152,784</u>	<u>-</u>	<u>54,824,742</u>
<i>Accumulated Depreciation:</i>				
Land Improvements	(638,863)	(1,197)	-	(640,060)
Buildings and Improvements	(11,007,962)	(445,539)	-	(11,453,501)
Equipment and Vehicles	(2,819,262)	(91,976)	-	(2,911,238)
Infrastructure	<u>(8,826,709)</u>	<u>(405,597)</u>	<u>-</u>	<u>(9,232,306)</u>
<i>Total Accumulated Depreciation</i>	<u>(23,292,796)</u>	<u>(944,309)</u>	<u>-</u>	<u>(24,237,105)</u>
<i>Total Bus. Activities Capital Assets, Net</i>	<u>\$ 33,372,752</u>	<u>\$ 683,152</u>	<u>\$ -</u>	<u>\$ 34,055,904</u>

Depreciation expense was charged to segments as follows:

Water	\$ 304,250
Sewer	<u>640,059</u>
Total Depreciation Expense	<u>\$ 944,309</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 7 - INTERFUND TRANSACTIONS

The City established an interfund loan of \$687,798 between the Sewer and Water Funds to have the Water Fund repay revenue that should have been recorded in the Sewer Fund. The loan will be repaid over fifteen years beginning in 2017. The interfund loan balance at December 31, 2018 was \$596,090.

NOTE 8 - LONG-TERM LIABILITIES

The changes in the City's long-term liabilities for the year ended December 31, 2018 were as follows:

	<i>Restated</i> Balance at 1/1/18	Issued	Retired	Balance at 12/31/18	Amount Due Within One Year
<i>Governmental Activities:</i>					
Various Purpose 2011					
Refunding GO Bonds:					
Road Way Improvement	\$ 550,000	\$ -	\$ (35,000)	\$ 515,000	\$ 35,000
Refunding	215,000	-	(40,000)	175,000	45,000
Fire Apparatus	680,000	-	(45,000)	635,000	45,000
Premium on Series 2011	21,687	-	(1,669)	20,018	-
Various Purpose 2016					
Refunding GO Bonds:					
Note Refinancing	1,155,000	-	(110,000)	1,045,000	110,000
Safety Services	4,100,000	-	(445,000)	3,655,000	455,000
Tax Increment Financing	2,285,000	-	(135,000)	2,150,000	140,000
Premium on Series 2016	889,148	-	(59,277)	829,871	-
Capital Leases	506,298	-	(110,551)	395,747	44,896
OPWC Loans	326,422	217,324	(17,382)	526,364	17,382
Compensated Absences Payable	1,019,761	387,558	(364,130)	1,043,189	237,945
Net Pension Liability:					
OPERS	3,818,981	-	(1,134,258)	2,684,723	-
OP&F	5,353,435	82,153	-	5,435,588	-
Net OPEB Liability:					
OPERS	1,631,355	128,239	-	1,759,594	-
OP&F	4,011,992	1,005,935	-	5,017,927	-
<i>Total Governmental Activities</i>	<u>\$ 26,564,079</u>	<u>\$ 1,821,209</u>	<u>\$ (2,497,267)</u>	<u>\$ 25,888,021</u>	<u>\$ 1,130,223</u>

On March 8, 2011, the City issued \$2,135,000 various purpose refunding general obligation bonds. The proceeds of the issue included \$1,660,000 to refinance bond anticipation notes and related costs issued to pay for roadway improvements and fire equipment and \$475,000 to currently refund the outstanding Series 1997 Capital Improvement Bonds. The interest rate on the Series 2011 bonds range from 2.0% to 5.0% and will mature fully in 2030.

On April 27, 2016, the City issued \$8,400,000 in various purpose refunding general obligation bonds. The proceeds of the issue were used to advance refund \$8,475,000 in Series 2007 various purpose general obligation bonds. As a result, the Series 2007 bonds were considered defeased and the liability for these bonds had been removed from the statement of net position. The interest rate on the Series 2016 bonds range from 2.0% to 4.0% and will fully mature in 2032.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 8 - LONG-TERM LIABILITIES – continued

General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged. General obligation bonds payable will be paid from the Permanent Improvement Fund, the Safety Building Improvement Fund, and various TIF Funds.

Compensated absences, net pension liability and net OPEB liability will be paid by the fund which primarily pays the employee's salary.

The City periodically receives interest-free loans from the Ohio Public Works Commission (OPWC). In 2009, the OPWC issued a loan of \$238,172 for traffic signal upgrades that will be repaid in 2032. In 2014, the OPWC issued a loan of \$622,450 for Leesburg Avenue reconstruction that will be repaid in 2044. Due to the Leesburg Avenue project being completed under budget, the City received a credit from OPWC on the loan that was applied as a loan forgiveness payment during 2017. In 2018, the OPWC approved a loan of up to \$1,022,286 for Washington Avenue reconstruction. As of December 31, 2018, \$217,324 has been drawn.

	<i>Restated</i>			<i>Amount Due</i>		
	<i>Balance</i> <i>at 1/1/18</i>	<i>Issued</i>	<i>Retired</i>	<i>Balance</i> <i>at 12/31/18</i>	<i>Within One</i> <i>Year</i>	
<i>Business Type Activities:</i>						
Water System Bonds:						
Series 2012 Revenue Refunding	\$ 1,525,000	\$ -	\$ (755,000)	\$ 770,000	\$ 770,000	
Premium on Series 2012	24,751	-	(12,376)	12,375	-	
OWDA Sewer Loan	1,755,779	-	(416,812)	1,338,967	431,232	
OWDA Water Loan	896,143	-	(242,329)	653,814	253,059	
OWDA Sewer Loan	665,795	1,622,014	-	2,287,809	462,475	
Compensated Absences Payable	178,826	217,317	(141,642)	254,501	75,436	
Net Pension Liability:						
OPERS	2,218,934	-	(708,778)	1,510,156	-	
Net OPEB Liability:						
OPERS	917,637	72,135	-	989,772	-	
Total Business Type Activities	\$ 8,182,865	\$ 1,911,466	\$ (2,276,937)	\$ 7,817,394	\$ 1,992,202	

In March 2012, the City issued \$5,180,000 in water system revenue refunding bonds. The proceeds were used to currently refund the outstanding Series 2003 water system revenue refunding bonds. The interest rate on the Series 2012 bonds is 2.0%, will mature in 2019, and will be retired through the Water Fund using water utility revenues.

In connection with the revenue bonds listed above, the City has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The bonds are payable, through their final maturities, solely from net revenues applicable to the Water Fund. In 2018, the Water Fund reported \$837,635 of net pledged revenues for coverage of annual debt service of \$785,500. The remaining debt service for these bonds at December 31, 2018 was \$785,400 that will mature on December 1, 2019.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 8 - LONG-TERM LIABILITIES - *continued*

The Ohio Water Development Authority (OWDA) loans were made for the purpose of improving the City's water and wastewater treatment facilities. Property and revenue of the Water and Sewer Funds have been pledged to repay these debts. The loans mature in 2021 and carry interest rates of 3.43% and 4.38%. Effective January 1, 2016, the City received an interest rate buy-down from OWDA to reduce the interest rate on these two loans to 3%. Each of these OWDA loans will be repaid from Water Fund and Sewer Fund revenues.

In 2017, the City an OWDA loan for the wastewater treatment improvements design. The total amount drawn, plus capitalized interest, was \$2,287,809. The loan will mature in 2023 and carries an interest rate of 2.28%. This loan will be repaid from Sewer Fund revenues.

In connection with the OWDA loans listed above, the City has pledged future customer revenues of the Water and Sewer Funds, net of specified operating expenses and net of debt service requirements on revenue bonds (which have first priority and a lien on net income available for debt service), to repay this debt. The loans are payable, through their final maturities, from net revenues applicable to the Water and Sewer Funds. Total interest and principal remaining to be paid on these loans is \$4,560,045.

Principal and interest requirements to retire the City's governmental activities' outstanding notes and bonds as of December 31, 2018, are as follows:

	Series 2011 Bonds		Series 2016 Bonds		OPWC
	Principal	Interest	Principal	Interest	Principal
2019	\$ 125,000	\$ 58,460	\$ 705,000	\$ 259,950	\$ 17,382
2020	120,000	54,085	730,000	238,800	17,382
2021	130,000	49,885	765,000	209,600	17,381
2022	90,000	44,360	790,000	179,000	17,382
2023	90,000	40,535	810,000	154,400	17,382
2024-2028	525,000	139,450	2,440,000	334,800	86,914
2029-2033	245,000	18,500	610,000	62,600	75,005
2034-2038	-	-	-	-	27,369
2039-2043	-	-	-	-	27,369
2044	-	-	-	-	5,474
Total	\$ 1,325,000	\$ 405,275	\$ 6,850,000	\$ 1,439,150	\$ 309,040

The OPWC loan amortization excludes the Washington Avenue reconstruction loan balance, since the project is ongoing. It will be included once the loan project is completed and the loan amortization is finalized.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 8 - LONG-TERM LIABILITIES - *continued*

Principal and interest requirements to retire the City's business-type activities' outstanding bonds, and loans as of December 31, 2018, are as follows:

	Water Revenue Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest*
2019	\$ 770,000	\$ 15,400	\$ 1,146,766	\$ 120,731
2020	-	-	1,183,494	84,003
2021	-	-	1,082,002	46,020
2022	-	-	495,023	20,026
2023	-	-	373,305	8,675
Total	<u>\$ 770,000</u>	<u>\$ 15,400</u>	<u>\$ 4,280,590</u>	<u>\$ 279,455</u>

* The City received an interest rate buy-down from OWDA to reduce the interest rate on the outstanding OWDA loans to 3.0% effective January 1, 2016. OWDA interest payments reported above are reported at gross.

NOTE 9 - CAPITAL LEASE

In 2016, the City entered into a lease agreement for fire equipment of \$487,000. This lease obligation meets the criteria of a capital lease as defined by GASB Statement No. 62, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the governmental funds.

The following is a schedule of the future minimum lease payments for the capital lease, and the present value of the future minimum lease payments at December 31, 2018:

Year Ending
December 31,
2019
2020
2021
2022
2023
Thereafter
<u>Total Future Minimum Lease Payments</u>
<u>Less: Amount Representing Interest</u>
<u>Present Value of Future Minimum</u>
<u>Lease Payments</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to net pension liability would be effective when the changes are legally enforceable.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g., City employees) may elect the Member-Directed Plan and the Combined Plan, the majority of employee members are in OPERS' Traditional Plan; therefore, the following disclosures focus on the Traditional Pension Plan.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS – continued

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC). 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 Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642, or by calling 800-222-7377.

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

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

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

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

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

Funding Policy—The ORC provides statutory authority for member and employer contributions. For 2018, member contribution rates were 10% of salary and employer contribution rates were 14%. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$529,796 for 2018. Of this amount, \$69,098 is reported as an intergovernmental payable.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS – *continued*

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

City full-time police and firefighters participate in the Ohio Police & 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 (ORC). 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 may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, OH 43215-5164.

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5% for each of the first 20 years of service credit, 2.0% for each of the next five years of service credit and 1.5% for each year of service credit in excess of 25 years. The maximum pension of 72% of the allowable average annual salary is paid after 33 years of service credit.

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3% of their base pension or disability benefit.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS - *continued*

Funding Policy—The ORC provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	<u>19.50</u> %	<u>24.00</u> %
Employee	<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 \$452,964 for 2018. Of this amount, \$51,405 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2017 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, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. 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:

	OPERS	OP&F	Total
Proportionate Share of Net Pension Liability	\$ 4,194,879	\$ 5,435,588	\$ 9,630,467
Proportion of Net Pension Liability	0.02674%	0.08856%	
Change in Proportion	0.00015%	0.00404%	
Pension Expense	\$ 764,984	\$ 597,125	\$ 1,362,109

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS - *continued*

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$ 4,284	\$ 82,490	\$ 86,774
Change in assumptions	501,316	236,858	738,174
Change in proportionate share and difference in employer contributions	8,160	194,375	202,535
City contributions subsequent to the measurement date	<u>529,796</u>	<u>452,964</u>	<u>982,760</u>
	<u><u>\$ 1,043,556</u></u>	<u><u>\$ 966,687</u></u>	<u><u>\$ 2,010,243</u></u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 82,668	\$ 9,832	\$ 92,500
Net differences between projected and actual investment earnings	900,586	188,029	1,088,615
Change in proportionate share and difference in employer contributions	<u>91,785</u>	<u>353,714</u>	<u>445,499</u>
	<u><u>\$ 1,075,039</u></u>	<u><u>\$ 551,575</u></u>	<u><u>\$ 1,626,614</u></u>

\$982,760 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2019	\$ 294,531	\$ 85,676	\$ 380,207
2020	(89,176)	36,241	(52,935)
2021	(396,570)	(158,512)	(555,082)
2022	(370,064)	(114,598)	(484,662)
2023	-	89,873	89,873
Thereafter	<u>-</u>	<u>23,468</u>	<u>23,468</u>
	<u><u>\$ (561,279)</u></u>	<u><u>\$ (37,852)</u></u>	<u><u>\$ (599,131)</u></u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS – *continued*

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Wage inflation	3.25%
Future salary increases, Including inflation	3.25% to 10.75%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3% simple; Post 1/7/2013 retirees: 3% simple through 2018, then 2.15% simple
Investment rate of return	7.50%
Actuarial cost method	Individual entry age
Mortality tables	RP-2014

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 16.82% for 2017.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS – *continued*

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.20%
Domestic Equities	19.00%	6.37%
Real Estate	10.00%	5.26%
Private Equity	10.00%	8.97%
International Equities	20.00%	7.88%
Other Investments	<u>18.00%</u>	<u>5.26%</u>
Total	<u>100.00%</u>	<u>5.66%</u>

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table represents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.50%) and one-percentage point higher (8.50%) than the current rate:

	Current		
	1% Decrease (6.50%)	Discount Rate of 7.50%	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 7,449,065	\$ 4,194,879	\$ 1,481,898

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS - *continued*

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017 and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past experiences and new estimates are made about the future. Based on the experience study completed as of December 31, 2016, changes in demographic and economic actuarial assumptions were made. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the current and prior measurement dates are as follows:

Valuation date	January 1, 2017 with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016 with actuarial liabilities rolled forward to December 31, 2016
Actuarial assumption experience study date	5-year period ended December 31, 2016	5-year period ended December 31, 2011
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	8.00%	8.25%
Cost-of-living adjustments	3% simple; 2.2% simple for increases based on the lesser of the increase in CPI and 3%	3% simple; 2.6% simple for increases based on the lesser of increase in CPI and 3%
Salary increases	3.75% to 10.50%	4.25% to 11.00%
Payroll growth	Inflation rate of 2.75% plus productivity increase rate of 0.5%	Inflation rate of 3.25% plus productivity increase rate of 0.5%

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

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS – *continued*

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalents	0.0%	0.0%
Domestic equity	16.0%	5.21%
Non-U.S. equity	16.0%	5.40%
Core fixed income*	20.0%	2.37%
Global inflation protected securities*	20.0%	2.33%
High yield	15.0%	4.48%
Real estate	12.0%	5.65%
Private markets	8.0%	7.99%
Real assets	5.0%	6.87%
Master limited partnerships	8.0%	7.36%

Note: Assumptions are geometric. * Levered 2x

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

Discount Rate. The total pension liability was calculated using the discount rate of 8.0%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.0%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS – continued

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (7.0%) or one-percentage point higher (9.0%) than the current rate.

	1% Decrease <u>(7.00%)</u>	Current Discount <u>Rate of 8.00%</u>	1% Increase <u>(9.00%)</u>
City's proportionate share of the net pension liability	\$ 7,535,151	\$ 5,435,588	\$ 3,723,203

NOTE 11 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

Plan Description—Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other post employment benefit (OPEB) as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0% of earnable. This is the maximum employer contribution rate 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. The portion of employer contributions allocated to health care for members in the Traditional Pension and Combined plans was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0%.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

For the year ended December 31, 2018, OPERS did not allocate any employer contributions to postemployment health care.

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

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to 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% and 24.0% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of the employer contributions allocated to health care was 0.5% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

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

The City's contractually required contribution to OP&F was \$10,958 for 2018.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, 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, 2017 and was determined by rolling forward the total OPEB liability as of January 1, 2017 to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the respective retirement systems relative to the contributions of all participating entities. The following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportionate Share of Net OPEB Liability	\$ 2,749,366	\$ 5,017,927	\$ 7,767,293
Proportion of Net OPEB Liability	0.02532%	0.08856%	
Change in Proportion	0.00008%	0.00404%	
OPEB Expense	\$ 233,900	\$ 423,027	\$ 656,927

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$ 2,142	\$ -	\$ 2,142
Change in assumptions	200,183	489,642	689,825
Change in proportionate share and difference in employer contributions	3,833	161,522	165,355
City contributions subsequent to the measurement date	-	10,958	10,958
	<u>\$ 206,158</u>	<u>\$ 662,122</u>	<u>\$ 868,280</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - *continued*

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ -	\$ 25,308	\$ 25,308
Net differences between projected and actual investment earnings	<u>204,808</u>	<u>33,032</u>	<u>237,840</u>
	<u><u>\$ 204,808</u></u>	<u><u>\$ 58,340</u></u>	<u><u>\$ 263,148</u></u>

\$10,958 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2019	\$ 47,363	\$ 83,241	\$ 130,604
2020	47,363	83,241	130,604
2021	(42,174)	83,241	41,067
2022	(51,202)	83,241	32,039
2023	-	91,499	91,499
Thereafter	<u>-</u>	<u>168,361</u>	<u>168,361</u>
	<u><u>\$ 1,350</u></u>	<u><u>\$ 592,824</u></u>	<u><u>\$ 594,174</u></u>

Actuarial Assumptions—OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

Wage inflation	3.25%
Projected salary increases	3.25% to 10.75%, including wage inflation
Singe discount rate:	
Current measurement date	3.85%
Prior measurement date	4.25%
Investment rate of return	6.50%
Municipal bond rate	3.31%
Health care cost trend rate	7.5% initial, 3.25% ultimate in 2028
Actuarial cost method	Individual entry age

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2% for 2017.

The allocation of investment assets within the Health Care portfolio is approved by the OPERS 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 pension plans. Health care is a discretionary benefit. The table below displays the OPERS Board-approved asset allocation policy for 2017 and the long-term expected real rates of return.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	1.88%
Domestic Equities	21.00%	6.37%
REITs	6.00%	5.91%
International Equities	22.00%	7.88%
Other Investments	<u>17.00%</u>	<u>5.39%</u>
Total	<u>100.00%</u>	<u>4.98%</u>

Discount Rate. A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50% and a municipal bond rate of 3.31%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85%, as well as what the City's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0% point lower (2.85%) or 1.0% point higher (4.85%) than the current rate:

	Current		
	1% Decrease (2.85%)	Discount Rate of 3.85%	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	\$ 7,449,065	\$ 2,749,366	\$ 1,481,898

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	Current Health Care Cost Trend Rate	<u>1% Decrease</u>		<u>Assumption</u>	<u>1% Increase</u>	
City's proportionate share of the net OPEB liability		\$ 2,630,621		\$ 2,749,366	\$ 2,872,162	

Actuarial Assumptions—OP&F

OP&F's total OPEB liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017 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 benefit for financial 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 applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

Key Methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation are presented below:

Actuarial valuation date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.75% to 10.50%
Payroll growth	Inflation rate of 2.75%, plus productivity increase rate of 0.5%
Single discount rate:	
Current measurement date	3.24%
Prior measurement date	3.79%
Cost of living adjustments	3.0% simple; 2.2% simple for increase based on the lesser of the increases in CPI and 3.0%

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

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

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

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

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

The long-term expected rate of return on 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, 2017 are summarized below:

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - *continued*

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalent	0.0%	0.0%
Domestic equity	16.0%	5.21%
Non-U.S. equity	16.0%	5.40%
Core fixed income*	20.0%	2.37%
Global inflation protected securities*	20.0%	2.33%
High yield	15.0%	4.48%
Real estate	12.0%	5.65%
Private markets	8.0%	7.99%
Real assets	5.0%	6.87%
Master limited partnerships	<u>8.0%</u>	7.36%
Total	<u>120.00%</u>	

Note: Assumptions are geometric. * Levered 2x

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

Discount Rate. Total OPEB liability was calculated using the discount rate of 3.24%. 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 of 8.0%. Based on those assumptions, OP&F's fiduciary net position was projected to be able to make all future benefit payment of current plan members through 2025. Therefore, a municipal bond rate of 3.16% at December 31, 2017 was blended with the long-term rate of 8.0%, which resulted in a blended discount rate of 3.24%. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 3.24%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.24%) and 1% point higher (4.24%) than the current discount rate.

	Current		
	1% Decrease (2.24%)	Discount Rate of 3.24%	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$ 6,272,469	\$ 5,017,927	\$ 4,052,612

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS – continued

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate. Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.74%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current health care cost trend current rates as outlined in the table above, a 1% decrease in the trend rates and a 1% increase in the trend rates.

	Current		
	1% Decrease	Rates	1% Increase
City's proportionate share of the net OPEB liability	\$ 3,898,016	\$ 5,017,927	\$ 6,527,188

Changes Subsequent to the Measurement Date. In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place will be a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's net OPEB liability is not known.

NOTE 12 - OTHER EMPLOYEE BENEFITS

Compensated Absences

In accordance with GASB Statement No. 16, the City accrues a liability for sick leave and vacation when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined.

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. Vacation leave may accumulate up to a maximum of two years for non-salaried employees and three years for salaried employees. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 12 - OTHER EMPLOYEE BENEFITS – *continued*

Accumulated Unpaid Sick Leave

City employees earn sick leave at varying rates based upon length of service and when the employee was hired. City employees who have ten years of service, hired prior to March 1, 1992 for police officers, hired on or prior to July 1, 1992 for firefighters, and hired prior to July 1, 1992 for all other employees, and who have sick leave accumulated, receive payment upon retirement at a rate of one hour for each hour of accumulated and unused sick leave, to a maximum of 960 hours.

Employees who have ten years of service, hired on or after March 1, 1992 for police officers, hire after July 1, 1992 for firefighters, and hired on or after July 1, 1992 for all other employees who have sick leave accumulated receives payment upon retirement at a rate of one hour for each two hours of accumulated and unused sick leave, to a maximum of 480 hours. Individuals leaving the employment of the City prior to retirement or at retirement with less than ten years of service lose their accumulated sick leave.

A liability has been recognized in the accompanying financial statements for a portion of the sick leave hours of those employees who have ten years of service and are age 50 or older, or have eighteen years with local government employment as well as other employees who are expected to become eligible in the future to receive such payments.

Health Care Benefits

The City has elected to provide employee medical/surgical and prescription drug benefits through United Healthcare. The employees share the cost of the monthly premium with the City.

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2018, the City contracted with various commercial carriers for property, auto, crime, and liability insurance as well as public official bonds.

The City maintains comprehensive insurance coverage for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured. Worker's compensation benefits are provided through the State Bureau of Workers' Compensation. The City pays all public officials' bonds by statute.

The City has not incurred any significant reductions in insurance coverage from coverage in the prior year by major category of risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 14 - RELATED ORGANIZATION

The Carnegie Public Library is a related organization of the City. The City is not financially accountable for this fiscally independent organization. The imposition of will or financial benefit/burden relationship criteria set forth by GASB does not apply and the City's accountability is limited to the appointment of all members to the governing board of the Library.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 15 - CONTINGENT LIABILITIES

Litigation

The City is of the opinion that ultimate disposition of any claims and legal proceedings will not have material effect on the financial condition of the City.

Federal and State Grants

The City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The City believes all expenditures meet grant qualifications.

NOTE 16 - COMMITMENTS

As discussed previously, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances outstanding was as follows:

General Fund	\$ 47,993
Income Tax Levy	21,377
Permanent Improvement	170,348
Nonmajor Governmental Funds	<u>82,787</u>
	<u>\$ 322,505</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 17 - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed and unassigned 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 constraints placed on fund balance for the major governmental funds and nonmajor governmental funds are presented below:

Fund Balances	General Fund	Income Tax Levy	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>					
Prepads	\$ 26,537	\$ -	\$ -	\$ 3,889	\$ 30,426
Inventory	- - -	- - -	- - -	61,500	61,500
<i>Total Nonspendable</i>	<i>26,537</i>	<i>- - -</i>	<i>- - -</i>	<i>65,389</i>	<i>91,926</i>
<i>Restricted for</i>					
Police	- - -	188,460	- - -	30,120	218,580
Fire	- - -	142,145	- - -	12,260	154,405
Streets	- - -	23,366	- - -	423,552	446,918
Cemetery	- - -	70,119	- - -	413,142	483,261
Economic development	- - -	- - -	- - -	57,770	57,770
Community development	- - -	- - -	- - -	49,851	49,851
Municipal court	- - -	- - -	- - -	421,203	421,203
Debt service	- - -	- - -	135,173	894,011	1,029,184
Capital projects	- - -	- - -	585,013	986,560	1,571,573
Other purposes	- - -	6,720	- - -	69,886	76,606
<i>Total Restricted</i>	<i>- - -</i>	<i>430,810</i>	<i>720,186</i>	<i>3,358,355</i>	<i>4,509,351</i>
<i>Committed to</i>					
Bridge maintenance	- - -	- - -	- - -	59,341	59,341
<i>Assigned to</i>					
Budget resource	616,091	- - -	- - -	- - -	616,091
Other	15,339	- - -	- - -	- - -	15,339
<i>Total Assigned</i>	<i>631,430</i>	<i>- - -</i>	<i>- - -</i>	<i>- - -</i>	<i>631,430</i>
<i>Unassigned</i>	<i>692,223</i>	<i>- - -</i>	<i>- - -</i>	<i>- - -</i>	<i>692,223</i>
<i>Total Fund Balance</i>	<i>\$ 1,350,190</i>	<i>\$ 430,810</i>	<i>\$ 720,186</i>	<i>\$ 3,483,085</i>	<i>\$ 5,984,271</i>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 18 - CHANGE IN ACCOUNTING PRINCIPLE

For 2018, the City implemented GASB Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from GASB Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expenses. The implementation of this pronouncement had the following effect on net position as reported December 31, 2017:

	<u>Water</u>	<u>Sewer</u>
Net Position at December 31, 2017	\$ 11,049,591	\$ 18,081,781
Adjustments:		
Net OPEB Liability	(433,329)	(484,308)
Deferred Outflows - Payments Subsequent to Measurement Date	<u>5,929</u>	<u>6,626</u>
Restated Net Position at December 31, 2017	<u><u>\$ 10,622,191</u></u>	<u><u>\$ 17,604,099</u></u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Position at December 31, 2017	\$ 1,578,695	\$ 29,131,511
Adjustments:		
Net OPEB Liability	(5,643,347)	(917,637)
Deferred Outflows - Payments Subsequent to Measurement Date	<u>32,237</u>	<u>12,555</u>
Restated Net Position at December 31, 2017	<u><u>\$ (4,032,415)</u></u>	<u><u>\$ 28,226,429</u></u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred outflows or inflows of resources as the information needed to generate these restatements was not available.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF WASHINGTON COURT HOUSE, OHIO**Required Supplementary Information****Schedule of City's Proportionate Share of the Net Pension Liability****Ohio Public Employees Retirement System - Traditional Pension Plan****Last Five Years (1) (2)**

	<u>City's Proportion of the Net Pension Liability</u>	<u>City's Proportionate Share of the Net Pension Liability</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2014	0.03009%	\$ 3,547,573	\$ 3,422,746	103.65%	86.36%
2015	0.03009%	3,629,552	3,689,433	98.38%	86.45%
2016	0.02842%	4,922,327	3,541,017	139.01%	81.08%
2017	0.02659%	6,037,915	3,443,633	175.34%	77.25%
2018	0.02674%	4,194,879	3,445,492	121.75%	84.66%

(1) Information prior to 2014 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

Change in assumptions. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

CITY OF WASHINGTON COURT HOUSE, OHIO

Required Supplementary Information

Schedule of City Pension Contributions

Ohio Public Employees Retirement System - Traditional Pension Plan

Last Six Years (1)

Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions			City's Covered Payroll	Contributions as a Percentage of Covered Payroll
	Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll		
2013 \$ 444,957	\$ (444,957)	- \$ 3,422,746	13.00%		
2014 442,732	(442,732)	- 3,689,433	12.00%		
2015 424,922	(424,922)	- 3,541,017	12.00%		
2016 413,236	(413,236)	- 3,443,633	12.00%		
2017 447,914	(447,914)	- 3,445,492	13.00%		
2018 529,796	(529,796)	- 3,784,257	14.00%		

(1) Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

CITY OF WASHINGTON COURT HOUSE, OHIO

Required Supplementary Information

Schedule of City's Proportionate Share of the Net Pension Liability

Ohio Police and Fire Pension Fund

Last Five Years (1) (2)

	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.09454%	\$ 4,604,249	\$ 2,485,902	185.21%	73.00%
2015	0.09454%	4,897,411	1,943,178	252.03%	71.71%
2016	0.09350%	6,015,112	1,950,617	308.37%	66.77%
2017	0.08452%	5,353,435	1,913,634	279.75%	68.36%
2018	0.08856%	5,435,588	2,037,043	266.84%	70.91%

(1) Information prior to 2014 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

Change in assumptions. In 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2016. Significant changes included a reduction of the discount rate from 8.25% to 8.0%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

CITY OF WASHINGTON COURT HOUSE, OHIO

Required Supplementary Information

Schedule of City Pension Contributions

Ohio Police and Fire Pension Fund

Last Six Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 424,592	\$ (424,592)	\$ -	\$ 2,485,902	17.08%
2014	395,631	(395,631)	-	1,943,178	20.36%
2015	391,879	(391,879)	-	1,950,617	20.09%
2016	384,449	(384,449)	-	1,913,634	20.09%
2017	409,242	(409,242)	-	2,037,043	20.09%
2018	452,964	(452,964)	-	2,254,674	20.09%

(1) Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

CITY OF WASHINGTON COURT HOUSE, OHIO

Required Supplementary Information

Schedule of City's Proportionate Share of the Net OPEB Liability

Ohio Public Employees Retirement System - Traditional Pension Plan

Last Two Years (1) (2)

	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.02524%	\$ 2,548,992	\$ 3,443,633	74.02%	54.05%
2018	0.02532%	2,749,366	3,445,492	79.80%	54.14%

(1) Information prior to 2017 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

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

CITY OF WASHINGTON COURT HOUSE, OHIO

Required Supplementary Information

Schedule of City OPEB Contributions

Ohio Public Employees Retirement System - Traditional Pension Plan

Last Six Years (1)

	Contributions in Relation to the				Contributions	
	Contractually Required Contributions	Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	as a Percentage of Covered Payroll	
2013	\$ 34,227	\$ (34,227)	\$ -	\$ 3,422,746	1.00%	
2014	73,789	(73,789)	-	3,689,433	2.00%	
2015	70,820	(70,820)	-	3,541,017	2.00%	
2016	70,738	(70,738)	-	3,443,633	2.00%	
2017	34,876	(34,876)	-	3,445,492	1.00%	
2018	-	-	-	3,784,257	0.00%	

(1) Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

CITY OF WASHINGTON COURT HOUSE, OHIO**Required Supplementary Information****Schedule of City's Proportionate Share of the Net OPEB Liability****Ohio Police and Fire Pension Fund****Last Two Years (1) (2)**

	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.08452%	\$ 4,011,992	\$ 1,913,634	209.65%	15.96%
2018	0.08856%	5,017,927	2,037,043	246.33%	14.13%

(1) Information prior to 2017 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

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

CITY OF WASHINGTON COURT HOUSE, OHIO

Required Supplementary Information

Schedule of City OPEB Contributions

Ohio Police and Fire Pension Fund

Last Six Years (1)

Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions			City's Covered Payroll	Contributions as a Percentage of Covered Payroll
	Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll		
2013 \$ 82,013	\$ (82,013)	- \$ 2,485,902	3.30%		
2014 10,261	(10,261)	- 1,943,178	0.53%		
2015 9,414	(9,414)	- 1,950,617	0.48%		
2016 9,291	(9,291)	- 1,913,634	0.49%		
2017 9,916	(9,916)	- 2,037,043	0.49%		
2018 10,958	(10,958)	- 2,254,674	0.49%		

(1) Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

CITY OF WASHINGTON COURTHOUSE, OHIO
Basic Financial Statements
Year Ended December 31, 2018
With Accountant's Compilation Report



CLARK SCHAEFER HACKETT
CPAs & ADVISORS

TABLE OF CONTENTS

Accountant's Compilation Report.....	1
Management's Discussion and Analysis	3 – 12
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position.....	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	15 – 16
Statement of Revenues, Expenditures and Changes in Fund Balances— Governmental Funds	17 – 18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budget (Non-GAAP) Basis—General Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balance— Budget and Actual – Budget (Non-GAAP) Basis—Income Tax Levy Fund.....	20
Statement of Net Position – Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	22
Statement of Cash Flows – Proprietary Funds.....	23
Statement of Net Position – Fiduciary Fund.....	24
Statement of Changes in Net Position – Fiduciary Fund	25
Notes to the Basic Financial Statements	27 – 71
Required Supplementary Information:	
Schedules of City's Proportionate Share of the Net Pension Liability and Contributions	75 – 78
Schedules of City's Proportionate Share of the Net OPEB Liability and Contributions	79 – 82



To the City Council
City of Washington Court House:

Management is responsible for the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Washington Court House (the "City"), as of and for the year ended December 31, 2018, and related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of net pension liabilities, net OPEB liabilities and pension and OPEB contributions listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

This report is intended for the use of management and members of City Council, and the Auditor of State of Ohio, or their designee, and is not intended to be and should not be used by anyone other than those specified parties.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 11, 2019

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

The discussion and analysis of the City of Washington Court House's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2018. The purpose of this discussion and analysis is to look at the City's financial performance and discuss pertinent points to better help the reader to understand our performance.

Financial Highlights

Some of the City's financial highlights for the year ended December 31, 2018 include:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$24,577,238.
- The City's total net position increased during the year by \$383,224, or 2%.
- Total unrestricted net position deficit of \$12,811,658 was primarily attributable to the City recognizing its proportionate share of net pension and OPEB liabilities under state-wide multiple employer retirement plans under GASB Statement Nos. 68 and 75.
- The City's total expenses were \$18,445,472, an increase of \$596,880.
- Program revenues of \$8,249,239 reduced the net cost of the City's functions to be financed from the City's general revenues to \$10,196,233.
- The City's unassigned fund balance of the General Fund totaled \$692,223 at year end, or 11% of General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Washington Court House's basic financial statements. The City of Washington Court House's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the basic financial statements, and 4) required supplementary schedules on pensions and OPEB.

Government-Wide Financial Statements- The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector businesses. The statement of net position presents information on all of the City's assets and deferred outflows of resources and the City's liabilities and deferred inflows of resources, with the difference between the two groups reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net position changed during the recent fiscal year.

Both of the government-wide financial statements distinguish functions of the City of Washington Court House that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, security of persons and property, transportation, community environment, public health and leisure time activities. The business-type activities include water and sewer operations.

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Fund Financial Statements- A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law and by bond covenants. However, the City establishes many other funds to help control and manage money for particular purposes or to show that the City is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds- Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements use the modified accrual basis of accounting and provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information may be useful in evaluating a government's near term financing requirements. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation which follows the fund financial statements.

The City of Washington Court House maintains 45 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Income Tax Levy Fund and Permanent Improvement Fund, which are considered to be major funds. Data from the other 42 governmental funds are combined into a single, aggregated presentation.

Proprietary Funds- The City uses enterprise funds to account for its water and sewer operations. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities using the full accrual basis of accounting. The enterprise funds are used to report the same activities presented as business-type activities in the government-wide financial statements.

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

Notes to the Financial Statements- The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Statements

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions.

The statement of net position and the statement of activities include all assets, liabilities, deferred outflows and inflows of resources using the full accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Table 1 provides a summary of the City's net position for 2018 compared to 2017:

Table 1

	Governmental Activities		Business-Type Activities		Total	
	Restated		Restated		Restated	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and Other Assets	\$ 9,621,552	\$ 8,976,973	\$ 2,901,454	\$ 2,557,053	\$ 12,523,006	\$ 11,534,026
Capital Assets, Net	12,518,334	13,269,518	34,055,904	33,372,752	46,574,238	46,642,270
Total Assets	22,139,886	22,246,491	36,957,358	35,929,805	59,097,244	58,176,296
Deferred outflow of resources	2,913,705	2,934,320	460,987	913,705	3,374,692	3,848,025
Liabilities:						
Current and Other Liabilities	577,291	579,023	255,230	336,377	832,521	915,400
Long-Term Liabilities:						
Due Within One Year	1,130,223	1,211,627	1,992,202	1,467,065	3,122,425	2,678,692
Due in More than One Year:						
Net Pension Liability	8,120,311	9,172,416	1,510,156	2,218,934	9,630,467	11,391,350
Net OPEB Liability	6,777,521	5,643,347	989,772	917,637	7,767,293	6,560,984
Other Long-Term Amounts	9,859,966	10,536,689	3,325,264	3,579,229	13,185,230	14,115,918
Total Liabilities	26,465,312	27,143,102	8,072,624	8,519,242	34,537,936	35,662,344
Deferred inflow of resources	2,896,017	2,070,124	460,745	97,839	3,356,762	2,167,963
Net Position:						
Net investment in capital assets	3,038,104	3,041,074	29,022,338	28,564,082	32,060,442	31,605,156
Restricted	5,328,454	4,886,952	-	-	5,328,454	4,886,952
Unrestricted (deficit)	(12,674,296)	(11,960,441)	(137,362)	(337,653)	(12,811,658)	(12,298,094)
Total Net Position	\$ (4,307,738)	\$ (4,032,415)	\$ 28,884,976	\$ 28,226,429	\$ 24,577,238	\$ 24,194,014

The net pension liability (NPL) is one of the largest liabilities reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. For 2018, the City adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

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

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

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB Statement No. 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from \$1,578,695 to a negative \$4,032,415 for governmental activities and \$29,131,511 to \$28,226,429 for business-type activities.

Total assets increased by \$920,948, or 2%. The majority of the increase occurred in cash and investments due to positive operating results. Meanwhile, total liabilities decreased by \$1,124,408, or 3%. Long-term liabilities decreased by approximately \$1.1 million, primarily driven by the decrease in the City's proportionate share of net pension liabilities. The decrease was due to pension plan investments performing better than projected, which also led to the increase in deferred inflows of resources.

As noted earlier, the City's net position, when reviewed over time, may serve as a useful indicator of the City's financial position. By far, the largest portion of the City's net position (\$32,060,442 of the total \$24,577,238) reflects its investments in capital assets (e.g., land, buildings, machinery and equipment, infrastructure) less any related debt used to acquire those assets that are still outstanding and related deferred outflows of resources. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (represents resources that are subject to restrictions on how they can be used. The remaining balance was a deficit of \$12,811,658 which is attributable to the recognition of the City's proportionate share of net pension and OPEB liabilities reported in accordance with under GASB Statement Nos. 68 and 75. If the net pension and OPEB liabilities and related deferrals were excluded, the unrestricted net position reported by the City would be a positive \$3,597,341. As the operation of the state-wide retirement systems are outside the control of the City and varies significantly from year to year based on the performance of investments, it's important to acknowledge the significant recognition of the net pension and OPEB liabilities has on the City's reported net position.

The City's total net position increased from \$24,194,014 in 2017 to \$24,577,238 in 2018, a change of \$383,224 or 2%.

In order to further understand what makes up the changes in net position for the current year, Table 2 gives readers further details regarding the results of activities for 2017 and 2018.

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Table 2

	Governmental Activities		Business-Type Activities		Total	
			Restated			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,417,342	\$ 1,292,027	\$ 5,709,069	\$ 5,757,967	\$ 7,126,411	\$ 7,049,994
Operating Grants/Contributions	271,967	124,380	26,035	23,630	298,002	148,010
Capital Grants/Contributions	824,826	987,176	-	-	824,826	987,176
General Revenues:						
Municipal Income Taxes	7,607,428	7,649,205	-	-	7,607,428	7,649,205
Property and Other Taxes	538,854	472,825	-	-	538,854	472,825
Payment in Lieu of Taxes	1,113,532	1,126,012	-	-	1,113,532	1,126,012
Intergovernmental	1,017,315	891,273	-	-	1,017,315	891,273
Investment Earnings	23,433	21,468	7,793	5,213	31,226	26,681
Other	139,474	311,649	131,628	112,920	271,102	424,569
Total Revenues	<u>12,954,171</u>	<u>12,876,015</u>	<u>5,874,525</u>	<u>5,899,730</u>	<u>18,828,696</u>	<u>18,775,745</u>
Program Expenses:						
Security of Person & Property	4,962,051	4,531,392	-	-	4,962,051	4,531,392
Public Health Services	459,536	419,633	-	-	459,536	419,633
Leisure Time Activities	23,611	24,548	-	-	23,611	24,548
Community Environment	2,030,400	1,948,514	-	-	2,030,400	1,948,514
Transportation	1,837,238	1,800,260	-	-	1,837,238	1,800,260
General Government	3,589,842	3,574,754	-	-	3,589,842	3,574,754
Interest and Fiscal Charges	326,816	364,549	-	-	326,816	364,549
Water	-	-	2,333,141	2,369,138	2,333,141	2,369,138
Sewer	-	-	2,882,837	2,815,804	2,882,837	2,815,804
Total Expenses	<u>13,229,494</u>	<u>12,663,650</u>	<u>5,215,978</u>	<u>5,184,942</u>	<u>18,445,472</u>	<u>17,848,592</u>
Change in Net Position	(275,323)	212,365	658,547	714,788	383,224	927,153
Net Position, beginning of year	(4,032,415)	N/A	28,226,429	N/A	24,194,014	N/A
Net Position, end of year	<u>\$ (4,307,738)</u>	<u>\$ (4,032,415)</u>	<u>\$ 28,884,976</u>	<u>\$ 28,226,429</u>	<u>\$ 24,577,238</u>	<u>\$ 24,194,014</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$44,792 computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the 2018 statements report OPEB expenses of \$656,927. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

	Governmental Activities	Business-Type Activities	Total
Total 2018 program expenses under GASB 75	\$ 13,229,494	\$ 5,215,978	\$ 18,445,472
OPEB expense under GASB 75	(572,723)	(84,204)	(656,927)
2018 contractually required contributions	10,958	-	10,958
Adjusted 2018 program expenses	12,667,729	5,131,774	17,799,503
Total 2017 program expenses under GASB 45	<u>12,663,650</u>	<u>5,184,942</u>	<u>17,848,592</u>
Change in program expenses not related to OPEB	<u>\$ 4,079</u>	<u>\$ (53,168)</u>	<u>\$ (49,089)</u>

Governmental Activities

The most significant program expenses for the City are Security of Persons and Property, General Government, Transportation, and Community Environment. These programs account for 94% of the total governmental activities. Security of Persons and Property, which accounts for 38% of the total, represents costs associated with the operation of the Police Department and costs associated with providing firefighting and emergency medical services. General Government, which accounts for 27% of the total, represents costs associated with the general administration of city government, including the City Council, City Manager, City Auditor and Municipal Court. Transportation, which accounts for 14% of the total, represents costs associated with streets and their upkeep. Community Environment, which accounts for 15% of the total, represents costs associated with developing and improving the downtown.

Funding for the most significant programs indicated is from income taxes, property taxes and payments in lieu of taxes, and intergovernmental. The income tax revenue for 2018 was \$7,607,428. Of the \$12,954,171 in total revenues, income tax accounts for 59% of that total. The property tax revenue and payments in lieu of property taxes for 2018 was \$1,652,386 or 13% of total revenues. The intergovernmental revenue for 2018 was \$1,017,315 or 8% of total revenue.

Total governmental activities revenue increased by approximately \$78,000, or less than 1%. The increase in governmental activities' expenses, after factoring out the effects of GASB Statement No. 75, was only \$4,079.

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

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

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Security of persons and property	\$ 4,962,051	\$ 4,765,403	\$ 4,531,392	\$ 4,528,191
Public health services	459,536	343,535	419,633	320,853
Leisure time activities	23,611	23,611	24,548	24,548
Community environment	2,030,400	2,030,400	1,948,514	1,948,514
Transportation	1,837,238	1,058,192	1,800,260	834,587
General government	3,589,842	2,167,402	3,574,754	2,238,825
Interest on long-term debt	326,816	326,816	364,549	364,549
Total Expenses	\$ 13,229,494	\$ 10,715,359	\$ 12,663,650	\$ 10,260,067

It should be noted that only 19% of the costs of services for governmental activities are derived from program revenues including charges for services, operating grants, capital grants and other contributions. As shown by the total net costs of \$10,715,359, the majority of the City's programs are funded by general revenues. A significant portion of the total general revenues consists of income taxes and property taxes.

Business-Type Activities

The City's major business-type activities include water and sewer operations. The Water Fund's operating income for 2018 was \$533,385, a decrease over the prior year of \$74,869. The Sewer Fund had operating income of \$265,277, an increase over the prior year of just \$5,066. These funds were analyzed in more detail under Proprietary Funds section below.

Financial Analysis of the City's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. These funds are accounted for by using the modified accrual basis of accounting.

The General Fund is the chief operating fund. At the end of 2018, the total fund balance for the General Fund was \$1,350,190, of which \$692,223 was unassigned. During the current year, the fund balance of the City's General Fund increased by \$356,342, or by 36%. Total revenue increased by 7%, while total expenditures increased by 3%. One of the biggest drivers for the increase was due to a \$153,000 increase in administration reimbursements from the Water and Sewer Funds.

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

The Income Tax Levy fund accounts for the majority of the collections from the 0.5% additional income tax rate that went into effect on January 1, 2016 (4% of the 0.5% income tax rate is dedicated for economic development and accounted for in a separate economic development fund). The Fund ended the year with a fund balance of \$430,810 to be used for public safety, cemetery operations and street infrastructure.

The Permanent Improvement Fund experienced an increase in fund balance of 56% during the year due to completion of projects during the year and decreases in debt service expenditures on outstanding loans.

Proprietary Funds

The City's major proprietary funds are the Water Fund and the Sewer Fund. The City provides water and sewer services to City residents. Net position in the Water Fund increased by \$472,948, or 4%, which was lower than the prior year increase of \$523,524, due to increases in OPEB expenses associated with the implementation of GASB Statement No. 75, and increases in depreciation expenses. Net position in the Sewer Fund also increased, by \$185,599, or 1%. This is due to a combination of increases in sewer rates, partially offset by increases in OPEB expenses and depreciation expenses.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a budget basis of cash receipts (revenues), and disbursements and encumbrances (expenditures). The most significant budgeted fund is the General Fund. The City does allow small interdepartmental budget changes that modify line items within departments within the same fund.

The original and final budgeted revenues were \$6,656,991 and \$6,871,491, respectively, an increase of 3%, as property tax collections and fines, licenses and permits were coming in higher than expected. Actual revenues were \$6,481,491, primarily due to lower than expected income taxes.

The original and final budgeted expenditures were \$6,834,562 and \$6,969,774, respectively, an increase of 2%, to budget for additional fire and police hires. Actual expenditures were \$6,225,038, \$744,736 less than the final budget due to having difficulty filling public safety positions and conservative budgeting.

Capital Assets and Debt Administration

The City's net investment in capital assets for governmental and business-type activities as of December 31, 2018, amounts to \$32,060,442 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress.

Total capital assets for governmental activities of the City of Washington Court House for the year 2018 were \$12,518,334, or \$751,184 less than in 2017. This decrease was due mainly to annual depreciation expense exceeding current year additions.

The increase in capital assets for business-type activities of \$683,152 to \$34,055,904 as of December 31, 2018 was due to continued design work on the new wastewater plan improvements, offset by annual depreciation expense.

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Additional information concerning the City's capital assets can be found in Note 6 of the notes to the basic financial statements.

As of December 31, 2018, the City of Washington Court House had \$14,147,701 (excluding premiums) in bonds, long-term notes, leases and loans outstanding, with \$2,809,044 due within one year (including the final payment on the 2012 Water Revenue Bonds).

Outstanding general obligation bonds consist of street, safety building, fire equipment and wastewater treatment plant improvement issues. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged.

Revenue bonds in the Water Fund were refinanced during 2012 to receive a lower interest rate. In addition to the bonds, notes and loans, the City's long-term obligations include compensated absences. Additional information concerning the City's debt can be found in Note 8 of the notes to the basic financial statements.

Current Known Facts and Conditions

The City has experienced some local economic stability for the last couple years. This has been aided by the City's passage of a $\frac{1}{2}$ percent increase in the income tax rate that it began collecting during 2016. Also, the City increased its sewer rates by 10% for the first three years, beginning in 2017, 5% for the next two years, and then 2% thereafter, to help finance planned wastewater plant improvements.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office, 105 N. Main Street, Washington C.H., Ohio 43160.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Net Position
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 5,627,932	\$ 1,998,930	\$ 7,626,862
Cash in segregated accounts	45,839	-	45,839
Receivables:			
Property taxes	441,781	-	441,781
Income taxes	1,704,489	-	1,704,489
Payment in lieu of taxes	1,035,000	-	1,035,000
Accounts	29,582	637,976	667,558
Loans, net	47,658	-	47,658
Intergovernmental	523,156	-	523,156
Special assessments	74,189	111,034	185,223
Prepaid items	30,426	78,613	109,039
Supplies inventory	61,500	74,901	136,401
Nondepreciable capital assets	1,515,395	3,468,267	4,983,662
Depreciable capital assets, net	11,002,939	30,587,637	41,590,576
Total assets	22,139,886	36,957,358	59,097,244
Deferred Outflows of Resources			
Deferred charges on refunding	466,770	29,399	496,169
Pensions	1,652,872	357,371	2,010,243
OPEB	794,063	74,217	868,280
Total deferred outflows of resources	2,913,705	460,987	3,374,692
Liabilities			
Accounts payable	71,335	113,037	184,372
Accrued wages payable	227,815	52,846	280,661
Intergovernmental payable	108,284	23,184	131,468
Matured compensated absences	74,146	-	74,146
Refundable advance	58,580	-	58,580
Accrued interest payable	37,131	66,163	103,294
Noncurrent liabilities:			
Due within one year	1,130,223	1,992,202	3,122,425
Due in more than one year:			
Net pension liability	8,120,311	1,510,156	9,630,467
Net OPEB liability	6,777,521	989,772	7,767,293
Other amounts due in more than one year	9,859,966	3,325,264	13,185,230
Total liabilities	26,465,312	8,072,624	34,537,936
Deferred Inflows of Resources			
Property taxes and payment in lieu taxes	1,467,000	-	1,467,000
Pensions	1,239,600	387,014	1,626,614
OPEB	189,417	73,731	263,148
Total deferred inflows of resources	2,896,017	460,745	3,356,762
Net Position			
Net investment in capital assets	3,038,104	29,022,338	32,060,442
Restricted for:			
Capital projects	1,718,060	-	1,718,060
Debt service	1,109,243	-	1,109,243
Cemetery operations	530,644	-	530,644
Public safety	646,404	-	646,404
Streets	642,586	-	642,586
Other purposes	681,517	-	681,517
Unrestricted (deficit)	(12,674,296)	(137,362)	(12,811,658)
Total net position	\$ (4,307,738)	\$ 28,884,976	\$ 24,577,238

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Activities

Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Security of persons and property	\$ 4,962,051	\$ -	\$ 150,788	\$ 45,860	\$ (4,765,403)	\$ -	\$ (4,765,403)
Public health services	459,536	116,001	-	-	(343,535)	-	(343,535)
Leisure time activities	23,611	-	-	-	(23,611)	-	(23,611)
Community environment	2,030,400	-	-	-	(2,030,400)	-	(2,030,400)
Transportation	1,837,238	80	-	778,966	(1,058,192)	-	(1,058,192)
General government	3,589,842	1,301,261	121,179	-	(2,167,402)	-	(2,167,402)
Interest on long-term debt	326,816	-	-	-	(326,816)	-	(326,816)
Total governmental activities	<u>13,229,494</u>	<u>1,417,342</u>	<u>271,967</u>	<u>824,826</u>	<u>(10,715,359)</u>	<u>-</u>	<u>(10,715,359)</u>
Business-type activities:							
Water	2,333,141	2,708,956	16,051	-	-	391,866	391,866
Sewer	2,882,837	3,000,113	9,984	-	-	127,260	127,260
Total business-type activities	<u>5,215,978</u>	<u>5,709,069</u>	<u>26,035</u>	<u>-</u>	<u>-</u>	<u>519,126</u>	<u>519,126</u>
Total	<u>\$ 18,445,472</u>	<u>\$ 7,126,411</u>	<u>\$ 298,002</u>	<u>\$ 824,826</u>	<u>(10,715,359)</u>	<u>519,126</u>	<u>(10,196,233)</u>
General revenues:							
Taxes:							
Income taxes				7,607,428	-	7,607,428	
Property taxes				538,854	-	538,854	
Payment in lieu of taxes				1,113,532	-	1,113,532	
Intergovernmental				1,017,315	-	1,017,315	
Investment earnings				23,433	7,793	31,226	
Miscellaneous				139,474	131,628	271,102	
Total general revenues				<u>10,440,036</u>	<u>139,421</u>	<u>10,579,457</u>	
Change in net position				(275,323)	658,547	383,224	
Net position beginning of year, <i>restated</i>				(4,032,415)	28,226,429	24,194,014	
Net position end of year				<u>\$ (4,307,738)</u>	<u>\$ 28,884,976</u>	<u>\$ 24,577,238</u>	

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO

Balance Sheet

Governmental Funds

December 31, 2018

	<u>General Fund</u>	<u>Income Tax Levy</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments	\$ 1,234,421	\$ 429,074	\$ 619,349	\$ 3,345,088	\$ 5,627,932
Cash in segregated accounts	26,894	-	-	18,945	45,839
Receivables:					
Property taxes	327,245	-	-	114,536	441,781
Income taxes	877,257	415,168	219,314	192,750	1,704,489
Payment in lieu of taxes	-	-	-	1,035,000	1,035,000
Accounts	26,632	-	-	2,950	29,582
Loans, net	-	-	-	47,658	47,658
Intergovernmental	208,892	-	28,925	285,339	523,156
Special assessments	74,189	-	-	-	74,189
Prepaid items	26,537	-	-	3,889	30,426
Supplies inventory	-	-	-	61,500	61,500
Total assets	\$ 2,802,067	\$ 844,242	\$ 867,588	\$ 5,107,655	\$ 9,621,552
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts payable	\$ 32,653	\$ 12,348	\$ 915	\$ 25,419	\$ 71,335
Accrued wages payable	131,103	77,481	-	19,231	227,815
Matured compensated absences payable	32,334	41,812	-	-	74,146
Intergovernmental payable	96,511	4,487	-	7,286	108,284
Refundable advance	-	-	-	58,580	58,580
Total liabilities	292,601	136,128	915	110,516	540,160
Deferred Inflows of Resources:					
Property taxes and payment in lieu taxes	320,000	-	-	1,147,000	1,467,000
Unavailable revenue	839,276	277,304	146,487	367,054	1,630,121
Total deferred inflows of resources	1,159,276	277,304	146,487	1,514,054	3,097,121
Fund Balances:					
Nonspendable	26,537	-	-	65,389	91,926
Restricted	-	430,810	720,186	3,358,355	4,509,351
Committed	-	-	-	59,341	59,341
Assigned	631,430	-	-	-	631,430
Unassigned	692,223	-	-	-	692,223
Total fund balances	1,350,190	430,810	720,186	3,483,085	5,984,271
Total liabilities, deferred inflows of resources and fund balances	\$ 2,802,067	\$ 844,242	\$ 867,588	\$ 5,107,655	\$ 9,621,552

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2018

Total governmental fund balances	\$ 5,984,271
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	12,518,334
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable in the funds:	
Income taxes receivable	1,138,483
Intergovernmental and other receivables	481,857
Delinquent property taxes	9,781
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds	(8,175,000)
Unamortized bond premiums	(849,889)
Lease/purchase agreement	(395,747)
Compensated absences	(1,043,189)
Accrued interest on long-term debt	(37,131)
OPWC loan	(526,364)
Deferred outflows of resources from losses on refunding are amortized over the life of the bonds and are not reported in the funds.	466,770
The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the governmental funds:	
Deferred outflows - pension	1,652,872
Deferred inflows - pension	(1,239,600)
Net pension liability	(8,120,311)
Deferred outflows - OPEB	794,063
Deferred inflows - OPEB	(189,417)
Net OPEB liability	<u>(6,777,521)</u>
Net position of governmental activities	<u>\$ (4,307,738)</u>

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2018

	General Fund	Income Tax Levy	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 424,739	\$ -	\$ -	\$ 118,468	\$ 543,207
Municipal income taxes	3,971,223	1,876,211	992,806	872,419	7,712,659
Intergovernmental	605,273	-	48,908	1,185,095	1,839,276
Charges for services	837,941	-	-	116,001	953,942
Fines, licenses and permits	428,256	-	-	291,936	720,192
Interest	22,093	-	-	1,340	23,433
Payment in lieu of taxes	-	-	-	1,113,532	1,113,532
Other	205,888	6,646	3,011	41,605	257,150
Total revenues	6,495,413	1,882,857	1,044,725	3,740,396	13,163,391
Expenditures:					
Current:					
Security of persons and property	2,499,239	1,476,609	-	127,194	4,103,042
Public health services	34,750	301,952	-	121,822	458,524
Leisure time activities	14,766	-	-	-	14,766
Community environment	863,363	-	-	601,009	1,464,372
Transportation	-	249,473	-	712,787	962,260
General government	2,726,953	28,730	-	918,974	3,674,657
Capital outlay	-	-	567,223	7,486	574,709
Debt service:					
Principal retirement	-	-	172,933	765,000	937,933
Interest and fiscal charges	-	-	44,772	312,845	357,617
Total expenditures	6,139,071	2,056,764	784,928	3,567,117	12,547,880
Excess (deficiency) of revenues over (under) expenditures	356,342	(173,907)	259,797	173,279	615,511
Other financing sources:					
Issuance of notes	-	-	-	217,324	217,324
Net change in fund balance	356,342	(173,907)	259,797	390,603	832,835
Fund balance, beginning of year	993,848	604,717	460,389	3,092,482	5,151,436
Fund balance, end of year	\$ 1,350,190	\$ 430,810	\$ 720,186	\$ 3,483,085	\$ 5,984,271

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Year Ended December 31, 2018

Net change in fund balances - total governmental funds \$ 832,835

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital asset additions	678,625	
Depreciation expense	<u>(1,364,697)</u>	(686,072)

In the statement of activities, loss on disposal of capital assets is reported whereas only proceeds from the sale, as applicable, are reported in the funds. (65,112)

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

Income taxes receivable	(105,231)	
Intergovernmental and other receivables	(99,636)	
Delinquent property taxes	<u>(4,353)</u>	(209,220)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Compensated absences	(23,428)	
Interest on long-term debt	3,196	
Change in deferred loss on refunding	(33,341)	
Change in bond premiums	<u>60,946</u>	7,373

Repayment of bond, note, and lease principal is an expenditure in the governmental funds, but the payments reduce long-term liabilities in the statement of net position. 937,933

The issuance of OPWC notes are recorded as other financing sources in the governmental funds, but are used to increase long-term debt in the statement of net position. (217,324)

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

Pension	810,342	
OPEB	10,958	

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

Pension	(1,124,313)	
OPEB	<u>(572,723)</u>	

Change in net position of governmental activities \$ (275,323)

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual - Budget (Non-GAAP) Basis

General Fund

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 380,000	\$ 408,000	424,739	\$ 16,739
Municipal income taxes	4,270,000	4,270,000	3,961,266	(308,734)
Intergovernmental	551,125	597,125	605,273	8,148
Charges for services	930,084	930,084	837,941	(92,143)
Fines, licenses and permits	390,200	438,200	429,617	(8,583)
Interest	28,000	28,000	16,843	(11,157)
Other	107,582	200,082	205,734	5,652
Total revenues	6,656,991	6,871,491	6,481,413	(390,078)
Expenditures:				
Current:				
Security of persons and property	2,856,284	2,902,144	2,533,589	368,555
Public health services	35,000	35,000	34,750	250
Leisure time activities	26,100	26,100	14,766	11,334
Community environment	931,285	931,285	880,787	50,498
General government	2,985,893	3,075,245	2,761,146	314,099
Total expenditures	6,834,562	6,969,774	6,225,038	744,736
Net change in fund balance	(177,571)	(98,283)	256,375	\$ 354,658
Fund balance, beginning of year	872,656	872,656	872,656	
Prior year encumbrances appropriated	57,397	57,397	57,397	
Fund balance, end of year	\$ 752,482	\$ 831,770	\$ 1,186,428	

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual - Budget (Non-GAAP) Basis

Income Tax Levy Fund

Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$2,100,000	\$1,750,000	\$ 1,874,695	\$ 124,695
Other	-	2,200	6,646	4,446
Total revenues	<u>\$2,100,000</u>	<u>\$1,752,200</u>	<u>\$ 1,881,341</u>	<u>\$ 129,141</u>
Expenditures:				
Current:				
Security of persons and property	1,434,450	1,434,450	1,413,540	20,910
Public health services	328,685	328,685	300,695	27,990
Transportation	370,800	370,800	275,676	95,124
General government	29,700	29,700	28,730	970
Total expenditures	<u>2,163,635</u>	<u>2,163,635</u>	<u>2,018,641</u>	<u>144,994</u>
Net change in fund balance	(63,635)	(411,435)	(137,300)	\$ 274,135
Fund balance, beginning of year	527,032	527,032	527,032	
Prior year encumbrances appropriated	17,966	17,966	17,966	
Fund balance, end of year	<u>\$ 481,363</u>	<u>\$ 133,563</u>	<u>\$ 407,698</u>	

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Net Position

Proprietary Funds

December 31, 2018

	Enterprise Funds			
			Nonmajor	
	Water	Sewer	Enterprise	Fund
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 355,812	\$ 1,642,979	\$ 139	\$ 1,998,930
Receivables:				
Accounts	314,578	323,398	-	637,976
Special assessments	27,993	83,041	-	111,034
Advances to other funds	-	596,090	-	596,090
Prepaid items	39,822	38,791	-	78,613
Supplies inventory	74,901	-	-	74,901
Total current assets	<u>813,106</u>	<u>2,684,299</u>	<u>139</u>	<u>3,497,544</u>
Noncurrent assets:				
Nondepreciable capital assets	936,721	2,531,546	-	3,468,267
Depreciable capital assets, net	<u>12,745,878</u>	<u>17,841,759</u>	<u>-</u>	<u>30,587,637</u>
Total noncurrent assets	<u>13,682,599</u>	<u>20,373,305</u>	<u>-</u>	<u>34,055,904</u>
Total assets	<u>14,495,705</u>	<u>23,057,604</u>	<u>139</u>	<u>37,553,448</u>
Deferred outflows of resources				
Deferred charge on refunding	29,399	-	-	29,399
Pensions	171,847	185,524	-	357,371
OPEB	35,047	39,170	-	74,217
Total deferred outflows of resources	<u>236,293</u>	<u>224,694</u>	<u>-</u>	<u>460,987</u>
Liabilities				
Current Liabilities:				
Accounts payable	20,527	92,510	-	113,037
Accrued wages payable	25,647	27,199	-	52,846
Intergovernmental payable	9,774	13,410	-	23,184
Advances from other funds	596,090	-	-	596,090
Accrued interest payable	15,602	50,561	-	66,163
Loans payable	253,059	893,707	-	1,146,766
Compensated absences payable	34,281	41,155	-	75,436
Revenue bonds payable	770,000	-	-	770,000
Total current liabilities	<u>1,724,980</u>	<u>1,118,542</u>	<u>-</u>	<u>2,843,522</u>
Noncurrent liabilities:				
Compensated absences payable	79,574	99,491	-	179,065
Loans payable	400,755	2,733,069	-	3,133,824
Unamortized premiums	12,375	-	-	12,375
Net pension liability	729,909	780,247	-	1,510,156
Net OPEB liability	467,392	522,380	-	989,772
Total noncurrent liabilities	<u>1,690,005</u>	<u>4,135,187</u>	<u>-</u>	<u>5,825,192</u>
Total liabilities	<u>3,414,985</u>	<u>5,253,729</u>	<u>-</u>	<u>8,668,714</u>
Deferred Inflows of Resources				
Pensions	187,057	199,957	-	387,014
OPEB	34,817	38,914	-	73,731
Total deferred inflows of resources	<u>221,874</u>	<u>238,871</u>	<u>-</u>	<u>460,745</u>
Net Position				
Net investment in capital assets	12,275,809	16,746,529	-	29,022,338
Unrestricted (deficit)	(1,180,670)	1,043,169	139	(137,362)
Total net position	<u>\$ 11,095,139</u>	<u>\$ 17,789,698</u>	<u>\$ 139</u>	<u>\$ 28,884,976</u>

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO
 Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended December 31, 2018

	Enterprise Funds			Nonmajor Enterprise Fund	Totals
	Water	Sewer			
Operating revenues:					
Charges for services	\$ 2,708,956	\$ 3,000,113	\$	-	\$ 5,709,069
Other	78,051	53,577		-	131,628
Total operating revenues	<u>2,787,007</u>	<u>3,053,690</u>		-	<u>5,840,697</u>
Operating expenses:					
Personnel services	1,019,718	1,113,462		-	2,133,180
Contractual services	414,018	624,649		-	1,038,667
Supplies and materials	264,081	145,069		-	409,150
Other	251,555	265,174		-	516,729
Depreciation	304,250	640,059		-	944,309
Total operating expenses	<u>2,253,622</u>	<u>2,788,413</u>		-	<u>5,042,035</u>
Operating income	533,385	265,277		-	798,662
Non-operating revenues (expenses):					
Investment earnings	3,031	4,762		-	7,793
Interest expense and fiscal charges	(79,519)	(94,424)		-	(173,943)
Intergovernmental revenue	16,051	9,984		-	26,035
Total non-operating revenues (expenses)	<u>(60,437)</u>	<u>(79,678)</u>		-	<u>(140,115)</u>
Change in net position	472,948	185,599		-	658,547
Net position, beginning of year, <i>restated</i>	<u>10,622,191</u>	<u>17,604,099</u>	<u>139</u>	<u>28,226,429</u>	
Net position, end of year	<u>\$ 11,095,139</u>	<u>\$ 17,789,698</u>	<u>\$ 139</u>	<u>\$ 28,884,976</u>	

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2018

Cash flows from operating activities:

	Enterprise Funds			
	Water	Sewer	Nonmajor Enterprise Fund	
			Totals	
Cash received from customers	\$ 2,818,745	\$ 3,078,973	\$ -	\$ 5,897,718
Cash payments for employee services and benefits	(919,886)	(988,944)	-	(1,908,830)
Cash payments to suppliers for goods and services	(681,863)	(767,595)	-	(1,449,458)
Cash payments for other operating expenses	(251,555)	(354,704)	-	(606,259)
Cash received from other operating revenue	79,391	41,568	-	120,959
Net cash from operating activities	<u>1,044,832</u>	<u>1,009,298</u>	<u>-</u>	<u>2,054,130</u>

Cash flows from noncapital financing activities:

Intergovernmental revenue	16,051	9,984	-	26,035
Repayment of advances from/to other funds	(45,854)	45,854	-	-
Net cash from noncapital financing activities	<u>(29,803)</u>	<u>55,838</u>	<u>-</u>	<u>26,035</u>

Cash flows from capital and related financing activities:

Acquisition of capital assets	(98,141)	(1,529,320)	-	(1,627,461)
Proceeds from loan draws	-	1,622,014	-	1,622,014
Principal payments on bonds and loans	(997,329)	(416,812)	-	(1,414,141)
Interest paid on bonds, notes and loans	(69,062)	(73,975)	-	(143,037)
Net cash from capital and related financing activities	<u>(1,164,532)</u>	<u>(398,093)</u>	<u>-</u>	<u>(1,562,625)</u>

Cash flows from investing activities:

Interest	3,031	4,762	-	7,793
Net cash from investing activities	<u>3,031</u>	<u>4,762</u>	<u>-</u>	<u>7,793</u>
Net change	(146,472)	671,805	-	525,333
Cash and pooled investments beginning of year	<u>502,284</u>	<u>971,174</u>	<u>139</u>	<u>1,473,597</u>
Cash and pooled investments end of year	<u>\$ 355,812</u>	<u>\$ 1,642,979</u>	<u>\$ 139</u>	<u>\$ 1,998,930</u>

Reconciliation of operating income to net cash from operating activities:

Operating income	\$ 533,385	\$ 265,277	\$ -	\$ 798,662
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	304,250	640,059	-	944,309
Changes in assets, liabilities and deferred outflows and inflows:				
Receivables	111,129	66,851	-	177,980
Prepaid items	(508)	-	-	(508)
Supplies inventory	3,460	-	-	3,460
Accounts payable	(7,722)	(89,442)	-	(97,164)
Accrued wages	(419)	1,357	-	938
Intergovernmental payable	(818)	2,014	-	1,196
Compensated absences payable	42,161	33,514	-	75,675
Deferred outflows - pensions and OPEB	208,814	214,505	-	423,319
Deferred inflows - pensions and OPEB	173,953	188,953	-	362,906
Net pension and OPEB liabilities	<u>(322,853)</u>	<u>(313,790)</u>	<u>-</u>	<u>(636,643)</u>
Net cash from operating activities	<u>\$ 1,044,832</u>	<u>\$ 1,009,298</u>	<u>\$ -</u>	<u>\$ 2,054,130</u>

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Net Position

Fiduciary Funds

December 31, 2018

	Private- Purpose Trust Fund	Agency Funds
Assets		
Equity in pooled cash and cash equivalents	\$ 16,591	\$ 66,418
Cash in segregated accounts	-	41,170
Total assets	<u>16,591</u>	<u>107,588</u>
Liabilities		
Intergovernmental payable	-	32,407
Deposits held and due to others	-	75,181
Total liabilities	<u>-</u>	<u>\$ 107,588</u>
Net Position		
Held in trust	<u>\$ 16,591</u>	

See accompanying notes and accountant's compilation report.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Changes in Net Position
Fiduciary Fund
Year Ended December 31, 2018

	<u>Private- Purpose Trust Fund</u>
<i>Additions:</i>	
Miscellaneous	<u>\$ 2,000</u>
<i>Deductions:</i>	
Contractual Services	<u>2,935</u>
Change in net position	<u>(935)</u>
Net position, beginning of year	<u>17,526</u>
Net position, end of year	<u>\$ 16,591</u>

See accompanying notes and accountant's compilation report.

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CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 1 - DESCRIPTION OF THE ENTITY

The City of Washington Court House (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under a city manager form of government and provides various services including police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, and other governmental services. In addition, the City provides basic utilities in the form of water services and waste water treatment.

As required by generally accepted accounting principles, the basic financial statements present the City of Washington Court House (the primary government) and any component units. The City considered potential component units for inclusion in the financial statements. In determining whether to include a government department, agency, commission or organization as a component unit, the City must evaluate each entity as to whether they are legally separate and financially accountable based on criteria set forth by Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue or be sued and (3) the right to buy, sell, lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of a specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the City. The City included no component units in the financial statements.

The City is associated with Carnegie Public Library, which is defined as a related organization (Note 14).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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

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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Fund Accounting

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

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

- ***General Fund*** – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.
- ***Income Tax Levy Fund*** – The Income Tax Levy Fund is used to account for the 0.5% voted income tax levy passed in 2015 restricted for maintaining and operating cemeteries, maintaining fire protection, police protection, detention facilities, emergency medical services, general contraction, and reconstruction, resurfacing and repairing street roads and bridges.
- ***Permanent Improvement Fund*** – The Permanent Improvement Fund is used to account for income taxes, grants, and loan proceeds used for various improvements of the City.

The other governmental funds of the City account for financing grants and other resources whose use is restricted to a particular purpose.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Proprietary funds: Proprietary fund reporting focuses on changes in net position, financial position and cash flows. The City's proprietary funds are classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

- ***Water Fund*** – This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.
- ***Sewer Fund*** – This fund accounts for the provision of sanitary sewer treatment to residential and commercial users located within the City.

Fiduciary funds: Fiduciary fund reporting focuses on net position. The City has a private-purpose trust fund and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's trust fund is a private-purpose trust fund established to account for assets (escheat property) held for individuals as unclaimed funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for assets that are held pending determination of their disposition. The City's four agency funds consist of the Law Enforcement Trust, Betterment of Inma, Street Replacement and Dog Park.

Measurement Focus

Governmental-wide financial statements: The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the City are included on the statement of net position.

Fund financial statements: All governmental fund types are accounted for using current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred inflows of resources are included on the balance sheet.

The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

The private-purpose trust fund is reported using the economic resources measurement focus.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: municipal income taxes, grants, state-levied shared taxes (including gasoline tax), fines and forfeitures, and investment earnings.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. For the City, deferred outflows of resources are reported on the government-wide and proprietary fund statements of financial position for deferred charge on refunding, pension and other postemployment benefits (OPEB). A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB are explained in Notes 10 and 11.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized until that time. For the City, deferred inflows of resources include property taxes and payments in lieu of taxes, unavailable revenue, pension and OPEB. Property taxes and payments in lieu of taxes represent amounts that are measurable as of December 31, 2018, but are intended to finance 2019 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (sixty days after year-end). The deferred inflows of resources related to pension and OPEB are reported on the government-wide and proprietary fund statements of net position (see Notes 10 and 11).

Expenses/Expenditures

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

Budgetary Accounting and Control

Under Ohio law, City Council must adopt an appropriations budget by January 1st of a given year, or adopt a temporary appropriation measure with final passage of a permanent budget by April 1st, for all funds except Agency Funds. Budgets are adopted for each organizational unit by fund.

Each City department prepares a budget which is approved by City Council. All modifications made throughout the year to the original department budgets must be requested by the departmental management and approved through legal resolution by City Council, except in the travel transportation, materials and supplies, and contractual services and miscellaneous or other expenditure categories of each department.

Several budget modifications and supplemental appropriations were made during the year and each revised budget amount reported in the budget to actual comparisons includes all modifications and supplemental appropriations that were necessary.

The City maintains budgetary control by fund, department and object level. Ordinance does not permit expenditures and encumbrances to exceed appropriations for each fund. Unencumbered and unexpended appropriations lapse at year-end in all budgeted funds. Prior year encumbrances and corresponding prior year appropriations are carried forward as part of the budgetary authority for next year and are included in the original and revised budget amounts shown in the budget-to-actual comparisons.

The City's budgetary process accounts for certain transactions on a budgetary basis instead of a GAAP basis. The major differences between the budget basis and the GAAP basis are that revenues are recorded when actually received (budget basis) as opposed to when susceptible to accrual (GAAP basis), and expenditures are recorded when paid (budget basis) as opposed to when incurred (GAAP basis). Additionally, the City reflects outstanding encumbrances at year-end as expenditures on the budgetary basis.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Tax Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources.

The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement as final reflects the amounts in the final amended official certificate of estimated resources issued during 2018.

Reconciliation of Budget Basis to GAAP Basis

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

The Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual - Budget (Non-GAAP Basis) is presented for the General Fund and Income Tax Levy Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balance (GAAP).

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund and Income Tax Levy Fund:

	<u>General</u>	<u>Income</u>
	<u>Fund</u>	<u>Tax Levy</u>
Net change in fund balance - GAAP Basis	\$ 356,342	(173,907)
 Increase / (decrease):		
Due to revenues	(14,000)	(1,516)
Due to expenditures	(37,974)	59,500
Due to encumbrances	<u>(47,993)</u>	<u>(21,377)</u>
 Net change in fund balance - Budget Basis	 \$ <u>256,375</u>	<u>(137,300)</u>

Cash and Investments

Cash and investments of the City's funds, except those held in restricted asset accounts, are pooled and invested in short-term investments in order to provide improved cash management. During 2018, the City's funds were invested in interest bearing demand accounts and certificates of deposit with commercial banks, money market accounts, the State Treasury Assets Reserve of Ohio (STAR Ohio), U.S. agencies securities and HH bonds. For purposes of the statement of cash flows, the enterprise funds' portion of cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from the enterprise funds without prior notice or penalty.

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Investments in STAR Ohio are valued at the net asset value per share provided by STAR Ohio on an amortized cost basis at December 31, 2018, which approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Receivables

Receivables at December 31, 2018 consist of property and income taxes, payments in lieu of taxes, consumer accounts (billings for user charged services, included unbilled utility services), loans, special assessments and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full, except as noted below, including accounts receivables which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

Loans receivable in the Nonmajor Governmental Funds represent low interest loans made by the City for community development projects and small businesses under the Community Development Block Grants (CDBG) program. The loans bear interest at annual rates ranging from 2 to 6 percent. The loans are to be repaid over periods ranging from 10 to 20 years. The City maintained an allowance at December 31, 2018 of \$20,415 for doubtful collections.

Inventories

Inventories are presented at cost on a first-in, first-out basis and are expensed when used. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when consumed.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2018 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and the expenditure/expense in the year in which the services are consumed.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their acquisition value as of the date received. The City maintains a capitalization threshold of two hundred dollars. The City's infrastructure consists of streets, traffic signals, flood wall, park lighting, and water and sewer lines, valves and meters.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized. All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Machinery and Equipment	8 - 20 years
Vehicles	3 - 5 years
Infrastructure	25 years

Compensated Absences

The City follows the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. The City records a liability for sick leave, vacation, and compensatory time when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined.

The entire compensated absences liability is reported on the government-wide financial statements. In governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignation or retirement. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability on the fund financial statements.

Accrued Liabilities and Long-Term Obligations

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

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Pensions and OPEB

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sanitary sewer services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Revenues and expenses that do not meet these definitions are classified as non-operating.

Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers within governmental activities and within business type activities are eliminated on the government-wide statement of activities. Receivables and payables resulting from interfund loans are classified as "advances to/from other funds". These amounts are eliminated on the government-wide statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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

Fund Balances

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 a spendable form, or legally or contractually required to be maintained intact. The "not in a spendable form" criterion includes items that are not expected to be converted into cash.

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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

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 the City Council.

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

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, or 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.

Net Position

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Restricted for other purposes represents balances of State and Federal grants in Special Revenue Funds. Of the City's \$5,328,454 restricted net position, none is restricted by enabling legislation.

Estimates

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts. Interim monies may be deposited or invested in the following securities:

- (1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- (3) Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily and that the term of the agreement must not exceed thirty days;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No-load money market funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreement secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (6) The State Treasury Assets Reserve of Ohio (STAR Ohio); and

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

- (1) Bonds of the State of Ohio;
- (2) Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is not default of principal, interest or coupons; and
- (3) Obligations of the City.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS – *continued*

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*, and amended by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). Financial institutions participating in the Ohio Pooled Collateral System (OPCS), a centralized collateral system monitored by the State Treasurer's Office, must pledge eligible securities equal to at least 102% of the carrying value of all public deposits held by each institution. Financial institutions choosing not to participate in the OPCS must pledge eligible securities equal to at least 105% of the carrying value of all the public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end, the carrying amount of the City's deposits was \$4,506,162 and the bank balance was \$4,557,983. The City's bank balance was covered by FDIC and collateralized with securities held by the pledging financial institution's trust department or agent, respectively.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS – *continued*

Investments: The City's investments at December 31, 2018 are summarized as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Concentration of Credit Risk</u>
FFCB	\$ 696,633	1.77	21.17%
FNMA	593,436	1.10	18.03%
FHLMC	436,783	2.03	13.27%
FHLB	443,530	2.60	13.48%
Negotiable Certificates of Deposit	1,032,392	1.74	31.38%
STAROhio	29,726	-	0.90%
Series HH Bonds	4,000	-	0.12%
Money Markets	54,218	-	1.65%
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CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS - continued

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Investments classified in Level 2 of the fair value hierarchy are valued using pricing sources as provided by the investment managers. The City has the following recurring fair value measurements as of December 31, 2018:

Investments by Fair Value	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		(Level 1)	(Level 2)	(Level 3)
Negotiable CDs	\$ 1,032,392	\$ -	\$ 1,032,392	\$ -
U.S. Agency Obligations	2,170,382	-	2,170,382	-
Total	\$ 3,202,774	\$ -	\$ 3,202,774	\$ -

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes are levied after October 1, 2018 on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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 current is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes, which became a lien December 31, 2017 are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The Fayette County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Washington Court House. The County Auditor periodically remits to the City its portion of the taxes collected. The assessed value upon which the 2018 taxes were collected was \$231,353,400. The full tax rate for all City operations applied for real property for fiscal year ended December 31, 2018 was \$2.30 per \$1,000 of assessed valuation. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Accrued property taxes receivable represents delinquent taxes outstanding and real tangible personal and public utility taxes which were measurable as of December 31, 2018. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not intended to finance 2018 operations. The receivable is therefore offset by a credit to deferred inflows of resources.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 5 - INCOME TAX

The City levies a municipal income tax of 1.45% on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100% of the City's current tax rate. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are used for general fund operations, permanent improvements, and the safety building, as determined by the Council.

Beginning on January 1, 2016, the income tax rate increased to 1.95%, after the voters approved an additional 0.5% income tax for purposes of maintaining and operating cemeteries, maintaining fire protection, police protection, detention facilities, emergency medical services, general construction, reconstruction, resurfacing and repairing streets, roads and bridges. Additionally, 4% of the 0.5% increase is restricted for economic development and is accounted for in an economic development fund. The remaining 96% of the 0.5% increase is accounted for in an income tax levy fund.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance			Balance
	1/1/18	Additions	Deletions	12/31/18
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$ 1,100,975	\$ -	\$ (22,500)	\$ 1,078,475
Construction in progress	<u>156,920</u>	<u>517,557</u>	<u>(237,557)</u>	<u>436,920</u>
<i>Total Nondepreciable Capital Assets</i>	<u>1,257,895</u>	<u>517,557</u>	<u>(260,057)</u>	<u>1,515,395</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	552,938	-	-	552,938
Buildings and Improvements	9,068,603	68,460	-	9,137,063
Equipment and Vehicles	6,351,623	161,068	(53,599)	6,459,092
Infrastructure	<u>51,110,435</u>	<u>147,374</u>	-	<u>51,257,809</u>
<i>Total Depreciable Capital Assets</i>	<u>67,083,599</u>	<u>376,902</u>	<u>(53,599)</u>	<u>67,406,902</u>
<i>Accumulated Depreciation:</i>				
Land Improvements	(515,856)	(6,723)	-	(522,579)
Buildings and Improvements	(2,026,405)	(203,792)	-	(2,230,197)
Equipment and Vehicles	(4,887,448)	(272,625)	32,710	(5,127,363)
Infrastructure	<u>(47,642,267)</u>	<u>(881,557)</u>	-	<u>(48,523,824)</u>
<i>Total Accumulated Depreciation</i>	<u>(55,071,976)</u>	<u>(1,364,697)</u>	<u>32,710</u>	<u>(56,403,963)</u>
<i>Total Govt Activities Capital Assets, Net</i>	<u>\$ 13,269,518</u>	<u>\$ (470,238)</u>	<u>\$ (280,946)</u>	<u>\$ 12,518,334</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 6 - CAPITAL ASSETS - continued

Depreciation expense was charged to governmental functions as follows:

Security of Persons and Property	\$ 423,515
Leisure Time Activities	8,845
Public Health	920
Transportation	889,937
General Government	<u>41,480</u>
Total Depreciation Expense	<u>\$ 1,364,697</u>

	Balance			Balance
	1/1/18	Additions	Deletions	12/31/18
Business Type Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$ 1,198,935	\$ -	\$ -	\$ 1,198,935
Construction in progress	<u>794,655</u>	<u>1,474,677</u>	<u>-</u>	<u>2,269,332</u>
<i>Total Nondepreciable Capital Assets</i>	<u>1,993,590</u>	<u>1,474,677</u>	<u>-</u>	<u>3,468,267</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	659,819	-	-	659,819
Buildings and Improvements	26,565,018	-	-	26,565,018
Equipment and Vehicles	3,181,015	152,784	-	3,333,799
Infrastructure	<u>24,266,106</u>	<u>-</u>	<u>-</u>	<u>24,266,106</u>
<i>Total Depreciable Capital Assets</i>	<u>54,671,958</u>	<u>152,784</u>	<u>-</u>	<u>54,824,742</u>
<i>Accumulated Depreciation:</i>				
Land Improvements	(638,863)	(1,197)	-	(640,060)
Buildings and Improvements	(11,007,962)	(445,539)	-	(11,453,501)
Equipment and Vehicles	(2,819,262)	(91,976)	-	(2,911,238)
Infrastructure	<u>(8,826,709)</u>	<u>(405,597)</u>	<u>-</u>	<u>(9,232,306)</u>
<i>Total Accumulated Depreciation</i>	<u>(23,292,796)</u>	<u>(944,309)</u>	<u>-</u>	<u>(24,237,105)</u>
<i>Total Bus. Activities Capital Assets, Net</i>	<u>\$ 33,372,752</u>	<u>\$ 683,152</u>	<u>\$ -</u>	<u>\$ 34,055,904</u>

Depreciation expense was charged to segments as follows:

Water	\$ 304,250
Sewer	<u>640,059</u>
<i>Total Depreciation Expense</i>	<u>\$ 944,309</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 7 - INTERFUND TRANSACTIONS

The City established an interfund loan of \$687,798 between the Sewer and Water Funds to have the Water Fund repay revenue that should have been recorded in the Sewer Fund. The loan will be repaid over fifteen years beginning in 2017. The interfund loan balance at December 31, 2018 was \$596,090.

NOTE 8 - LONG-TERM LIABILITIES

The changes in the City's long-term liabilities for the year ended December 31, 2018 were as follows:

	<i>Restated</i> Balance at 1/1/18			Retired		Balance at 12/31/18		Amount Due Within One Year
<i>Governmental Activities:</i>								
Various Purpose 2011								
Refunding GO Bonds:								
Road Way Improvement	\$ 550,000	\$ -		\$ (35,000)	\$ 515,000	\$ 35,000		
Refunding	215,000	-		(40,000)	175,000	45,000		
Fire Apparatus	680,000	-		(45,000)	635,000	45,000		
Premium on Series 2011	21,687	-		(1,669)	20,018	-		
Various Purpose 2016								
Refunding GO Bonds:								
Note Refinancing	1,155,000	-		(110,000)	1,045,000	110,000		
Safety Services	4,100,000	-		(445,000)	3,655,000	455,000		
Tax Increment Financing	2,285,000	-		(135,000)	2,150,000	140,000		
Premium on Series 2016	889,148	-		(59,277)	829,871	-		
Capital Leases	506,298	-		(110,551)	395,747	44,896		
OPWC Loans	326,422	217,324		(17,382)	526,364	17,382		
Compensated Absences Payable	1,019,761	387,558		(364,130)	1,043,189	237,945		
Net Pension Liability:								
OPERS	3,818,981	-		(1,134,258)	2,684,723	-		
OP&F	5,353,435	82,153		-	5,435,588	-		
Net OPEB Liability:								
OPERS	1,631,355	128,239		-	1,759,594	-		
OP&F	4,011,992	1,005,935		-	5,017,927	-		
<i>Total Governmental Activities</i>	\$ 26,564,079	\$ 1,821,209		\$ (2,497,267)	\$ 25,888,021			\$ 1,130,223

On March 8, 2011, the City issued \$2,135,000 various purpose refunding general obligation bonds. The proceeds of the issue included \$1,660,000 to refinance bond anticipation notes and related costs issued to pay for roadway improvements and fire equipment and \$475,000 to currently refund the outstanding Series 1997 Capital Improvement Bonds. The interest rate on the Series 2011 bonds range from 2.0% to 5.0% and will mature fully in 2030.

On April 27, 2016, the City issued \$8,400,000 in various purpose refunding general obligation bonds. The proceeds of the issue were used to advance refund \$8,475,000 in Series 2007 various purpose general obligation bonds. As a result, the Series 2007 bonds were considered defeased and the liability for these bonds had been removed from the statement of net position. The interest rate on the Series 2016 bonds range from 2.0% to 4.0% and will fully mature in 2032.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 8 - LONG-TERM LIABILITIES - *continued*

General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged. General obligation bonds payable will be paid from the Permanent Improvement Fund, the Safety Building Improvement Fund, and various TIF Funds.

Compensated absences, net pension liability and net OPEB liability will be paid by the fund which primarily pays the employee's salary.

The City periodically receives interest-free loans from the Ohio Public Works Commission (OPWC). In 2009, the OPWC issued a loan of \$238,172 for traffic signal upgrades that will be repaid in 2032. In 2014, the OPWC issued a loan of \$622,450 for Leesburg Avenue reconstruction that will be repaid in 2044. Due to the Leesburg Avenue project being completed under budget, the City received a credit from OPWC on the loan that was applied as a loan forgiveness payment during 2017. In 2018, the OPWC approved a loan of up to \$1,022,286 for Washington Avenue reconstruction. As of December 31, 2018, \$217,324 has been drawn.

	Restated			Amount Due	
	Balance at 1/1/18	Issued	Retired	Balance at 12/31/18	Within One Year
<i>Business Type Activities:</i>					
Water System Bonds:					
Series 2012 Revenue Refunding	\$ 1,525,000	\$ -	\$ (755,000)	\$ 770,000	\$ 770,000
Premium on Series 2012	24,751	-	(12,376)	12,375	-
OWDA Sewer Loan	1,755,779	-	(416,812)	1,338,967	431,232
OWDA Water Loan	896,143	-	(242,329)	653,814	253,059
OWDA Sewer Loan	665,795	1,622,014	-	2,287,809	462,475
Compensated Absences Payable	178,826	217,317	(141,642)	254,501	75,436
Net Pension Liability:					
OPERS	2,218,934	-	(708,778)	1,510,156	-
Net OPEB Liability:					
OPERS	917,637	72,135	-	989,772	-
Total Business Type Activities	\$ 8,182,865	\$ 1,911,466	\$ (2,276,937)	\$ 7,817,394	\$ 1,992,202

In March 2012, the City issued \$5,180,000 in water system revenue refunding bonds. The proceeds were used to currently refund the outstanding Series 2003 water system revenue refunding bonds. The interest rate on the Series 2012 bonds is 2.0%, will mature in 2019, and will be retired through the Water Fund using water utility revenues.

In connection with the revenue bonds listed above, the City has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The bonds are payable, through their final maturities, solely from net revenues applicable to the Water Fund. In 2018, the Water Fund reported \$837,635 of net pledged revenues for coverage of annual debt service of \$785,500. The remaining debt service for these bonds at December 31, 2018 was \$785,400 that will mature on December 1, 2019.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 8 - LONG-TERM LIABILITIES - continued

The Ohio Water Development Authority (OWDA) loans were made for the purpose of improving the City's water and wastewater treatment facilities. Property and revenue of the Water and Sewer Funds have been pledged to repay these debts. The loans mature in 2021 and carry interest rates of 3.43% and 4.38%. Effective January 1, 2016, the City received an interest rate buy-down from OWDA to reduce the interest rate on these two loans to 3%. Each of these OWDA loans will be repaid from Water Fund and Sewer Fund revenues.

In 2017, the City an OWDA loan for the wastewater treatment improvements design. The total amount drawn, plus capitalized interest, was \$2,287,809. The loan will mature in 2023 and carries an interest rate of 2.28%. This loan will be repaid from Sewer Fund revenues.

In connection with the OWDA loans listed above, the City has pledged future customer revenues of the Water and Sewer Funds, net of specified operating expenses and net of debt service requirements on revenue bonds (which have first priority and a lien on net income available for debt service), to repay this debt. The loans are payable, through their final maturities, from net revenues applicable to the Water and Sewer Funds. Total interest and principal remaining to be paid on these loans is \$4,560,045.

Principal and interest requirements to retire the City's governmental activities' outstanding notes and bonds as of December 31, 2018, are as follows:

	Series 2011 Bonds		Series 2016 Bonds		OPWC
	Principal	Interest	Principal	Interest	Principal
2019	\$ 125,000	\$ 58,460	\$ 705,000	\$ 259,950	\$ 17,382
2020	120,000	54,085	730,000	238,800	17,382
2021	130,000	49,885	765,000	209,600	17,381
2022	90,000	44,360	790,000	179,000	17,382
2023	90,000	40,535	810,000	154,400	17,382
2024-2028	525,000	139,450	2,440,000	334,800	86,914
2029-2033	245,000	18,500	610,000	62,600	75,005
2034-2038	-	-	-	-	27,369
2039-2043	-	-	-	-	27,369
2044	-	-	-	-	5,474
Total	<u>\$ 1,325,000</u>	<u>\$ 405,275</u>	<u>\$ 6,850,000</u>	<u>\$ 1,439,150</u>	<u>\$ 309,040</u>

The OPWC loan amortization excludes the Washington Avenue reconstruction loan balance, since the project is ongoing. It will be included once the loan project is completed and the loan amortization is finalized.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 8 - LONG-TERM LIABILITIES - *continued*

Principal and interest requirements to retire the City's business-type activities' outstanding bonds, and loans as of December 31, 2018, are as follows:

	Water Revenue Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest*
2019	\$ 770,000	\$ 15,400	\$ 1,146,766	\$ 120,731
2020	-	-	1,183,494	84,003
2021	-	-	1,082,002	46,020
2022	-	-	495,023	20,026
2023	-	-	373,305	8,675
Total	<u>\$ 770,000</u>	<u>\$ 15,400</u>	<u>\$ 4,280,590</u>	<u>\$ 279,455</u>

* The City received an interest rate buy-down from OWDA to reduce the interest rate on the outstanding OWDA loans to 3.0% effective January 1, 2016. OWDA interest payments reported above are reported at gross.

NOTE 9 - CAPITAL LEASE

In 2016, the City entered into a lease agreement for fire equipment of \$487,000. This lease obligation meets the criteria of a capital lease as defined by GASB Statement No. 62, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the governmental funds.

The following is a schedule of the future minimum lease payments for the capital lease, and the present value of the future minimum lease payments at December 31, 2018:

Year Ending	
December 31,	
2019	\$ 55,791
2020	55,791
2021	55,791
2022	55,791
2023	55,791
Thereafter	<u>167,373</u>
Total Future Minimum Lease Payments	446,328
Less: Amount Representing Interest	<u>50,581</u>
Present Value of Future Minimum Lease Payments	<u>395,747</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to net pension liability would be effective when the changes are legally enforceable.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g., City employees) may elect the Member-Directed Plan and the Combined Plan, the majority of employee members are in OPERS' Traditional Plan; therefore, the following disclosures focus on the Traditional Pension Plan.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS – *continued*

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC). 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 Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642, or by calling 800-222-7377.

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

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

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

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

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

Funding Policy—The ORC provides statutory authority for member and employer contributions. For 2018, member contribution rates were 10% of salary and employer contribution rates were 14%. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$529,796 for 2018. Of this amount, \$69,098 is reported as an intergovernmental payable.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS – *continued*

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

City full-time police and firefighters participate in the Ohio Police & 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 (ORC). 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 may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, OH 43215-5164.

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5% for each of the first 20 years of service credit, 2.0% for each of the next five years of service credit and 1.5% for each year of service credit in excess of 25 years. The maximum pension of 72% of the allowable average annual salary is paid after 33 years of service credit.

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3% of their base pension or disability benefit.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS – continued

Funding Policy—The ORC provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	<u>19.50</u> %	<u>24.00</u> %
Employee	<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 \$452,964 for 2018. Of this amount, \$51,405 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2017 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, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. 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:

	OPERS	OP&F	Total
Proportionate Share of Net Pension Liability	\$ 4,194,879	\$ 5,435,588	\$ 9,630,467
Proportion of Net Pension Liability	0.02674%	0.08856%	
Change in Proportion	0.00015%	0.00404%	
Pension Expense	\$ 764,984	\$ 597,125	\$ 1,362,109

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS - *continued*

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$ 4,284	\$ 82,490	\$ 86,774
Change in assumptions	501,316	236,858	738,174
Change in proportionate share and difference in employer contributions	8,160	194,375	202,535
City contributions subsequent to the measurement date	<u>529,796</u>	<u>452,964</u>	<u>982,760</u>
	<u><u>\$ 1,043,556</u></u>	<u><u>\$ 966,687</u></u>	<u><u>\$ 2,010,243</u></u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 82,668	\$ 9,832	\$ 92,500
Net differences between projected and actual investment earnings	900,586	188,029	1,088,615
Change in proportionate share and difference in employer contributions	<u>91,785</u>	<u>353,714</u>	<u>445,499</u>
	<u><u>\$ 1,075,039</u></u>	<u><u>\$ 551,575</u></u>	<u><u>\$ 1,626,614</u></u>

\$982,760 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2019	\$ 294,531	\$ 85,676	\$ 380,207
2020	(89,176)	36,241	(52,935)
2021	(396,570)	(158,512)	(555,082)
2022	(370,064)	(114,598)	(484,662)
2023	-	89,873	89,873
Thereafter	<u>-</u>	<u>23,468</u>	<u>23,468</u>
	<u><u>\$ (561,279)</u></u>	<u><u>\$ (37,852)</u></u>	<u><u>\$ (599,131)</u></u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS – *continued*

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Wage inflation	3.25%
Future salary increases, Including inflation	3.25% to 10.75%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3% simple; Post 1/7/2013 retirees: 3% simple through 2018, then 2.15% simple
Investment rate of return	7.50%
Actuarial cost method	Individual entry age
Mortality tables	RP-2014

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 16.82% for 2017.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS - *continued*

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.20%
Domestic Equities	19.00%	6.37%
Real Estate	10.00%	5.26%
Private Equity	10.00%	8.97%
International Equities	20.00%	7.88%
Other Investments	<u>18.00%</u>	<u>5.26%</u>
Total	<u>100.00%</u>	<u>5.66%</u>

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table represents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.50%) and one-percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate of 7.50%	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 7,449,065	\$ 4,194,879	\$ 1,481,898

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS – *continued*

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017 and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past experiences and new estimates are made about the future. Based on the experience study completed as of December 31, 2016, changes in demographic and economic actuarial assumptions were made. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the current and prior measurement dates are as follows:

Valuation date	January 1, 2017 with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016 with actuarial liabilities rolled forward to December 31, 2016
Actuarial assumption experience study date	5-year period ended December 31, 2016	5-year period ended December 31, 2011
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	8.00%	8.25%
Cost-of-living adjustments	3% simple; 2.2% simple for increases based on the lesser of the increase in CPI and 3%	3% simple; 2.6% simple for increases based on the lesser of increase in CPI and 3%
Salary increases	3.75% to 10.50%	4.25% to 11.00%
Payroll growth	Inflation rate of 2.75% plus productivity increase rate of 0.5%	Inflation rate of 3.25% plus productivity increase rate of 0.5%

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

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS - *continued*

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalents	0.0%	0.0%
Domestic equity	16.0%	5.21%
Non-U.S. equity	16.0%	5.40%
Core fixed income*	20.0%	2.37%
Global inflation protected securities*	20.0%	2.33%
High yield	15.0%	4.48%
Real estate	12.0%	5.65%
Private markets	8.0%	7.99%
Real assets	5.0%	6.87%
Master limited partnerships	8.0%	7.36%

Note: Assumptions are geometric. * Levered 2x

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

Discount Rate. The total pension liability was calculated using the discount rate of 8.0%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.0%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLANS - *continued*

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (7.0%) or one-percentage point higher (9.0%) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate of 8.00%	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 7,535,151	\$ 5,435,588	\$ 3,723,203

NOTE 11 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - *continued*

Plan Description—Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other post employment benefit (OPEB) as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0% of earnable. This is the maximum employer contribution rate 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. The portion of employer contributions allocated to health care for members in the Traditional Pension and Combined plans was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0%.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

For the year ended December 31, 2018, OPERS did not allocate any employer contributions to postemployment health care.

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

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to 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% and 24.0% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of the employer contributions allocated to health care was 0.5% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - *continued*

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

The City's contractually required contribution to OP&F was \$10,958 for 2018.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, 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, 2017 and was determined by rolling forward the total OPEB liability as of January 1, 2017 to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the respective retirement systems relative to the contributions of all participating entities. The following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportionate Share of Net OPEB Liability	\$ 2,749,366	\$ 5,017,927	\$ 7,767,293
Proportion of Net OPEB Liability	0.02532%	0.08856%	
Change in Proportion	0.00008%	0.00404%	
OPEB Expense	\$ 233,900	\$ 423,027	\$ 656,927

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$ 2,142	\$ -	\$ 2,142
Change in assumptions	200,183	489,642	689,825
Change in proportionate share and difference in employer contributions	3,833	161,522	165,355
City contributions subsequent to the measurement date	-	10,958	10,958
	<u>\$ 206,158</u>	<u>\$ 662,122</u>	<u>\$ 868,280</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - *continued*

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ -	\$ 25,308	\$ 25,308
Net differences between projected and actual investment earnings	<u>204,808</u>	<u>33,032</u>	<u>237,840</u>
	<u><u>\$ 204,808</u></u>	<u><u>\$ 58,340</u></u>	<u><u>\$ 263,148</u></u>

\$10,958 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2019	\$ 47,363	\$ 83,241	\$ 130,604
2020	47,363	83,241	130,604
2021	(42,174)	83,241	41,067
2022	(51,202)	83,241	32,039
2023	-	91,499	91,499
Thereafter	-	168,361	168,361
	<u><u>\$ 1,350</u></u>	<u><u>\$ 592,824</u></u>	<u><u>\$ 594,174</u></u>

Actuarial Assumptions—OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

Wage inflation	3.25%
Projected salary increases	3.25% to 10.75%, including wage inflation
Singe discount rate:	
Current measurement date	3.85%
Prior measurement date	4.25%
Investment rate of return	6.50%
Municipal bond rate	3.31%
Health care cost trend rate	7.5% initial, 3.25% ultimate in 2028
Actuarial cost method	Individual entry age

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2% for 2017.

The allocation of investment assets within the Health Care portfolio is approved by the OPERS 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 pension plans. Health care is a discretionary benefit. The table below displays the OPERS Board-approved asset allocation policy for 2017 and the long-term expected real rates of return.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - *continued*

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	1.88%
Domestic Equities	21.00%	6.37%
REITs	6.00%	5.91%
International Equities	22.00%	7.88%
Other Investments	<u>17.00%</u>	<u>5.39%</u>
Total	<u>100.00%</u>	<u>4.98%</u>

Discount Rate. A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50% and a municipal bond rate of 3.31%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85%, as well as what the City's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0% point lower (2.85%) or 1.0% point higher (4.85%) than the current rate:

	Current	Discount Rate of 3.85%	1% Increase (4.85%)
	1% Decrease (2.85%)		
City's proportionate share of the net OPEB liability	\$ 7,449,065	\$ 2,749,366	\$ 1,481,898

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - *continued*

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease	Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 2,630,621	\$ 2,749,366	\$ 2,872,162

Actuarial Assumptions—OP&F

OP&F's total OPEB liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017 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 benefit for financial 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 applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - *continued*

Key Methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation are presented below:

Actuarial valuation date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.75% to 10.50%
Payroll growth	Inflation rate of 2.75%, plus productivity increase rate of 0.5%
Single discount rate:	
Current measurement date	3.24%
Prior measurement date	3.79%
Cost of living adjustments	3.0% simple; 2.2% simple for increase based on the lesser of the increases in CPI and 3.0%

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

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

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

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

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

The long-term expected rate of return on 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, 2017 are summarized below:

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - *continued*

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalent	0.0%	0.0%
Domestic equity	16.0%	5.21%
Non-U.S. equity	16.0%	5.40%
Core fixed income*	20.0%	2.37%
Global inflation protected securities*	20.0%	2.33%
High yield	15.0%	4.48%
Real estate	12.0%	5.65%
Private markets	8.0%	7.99%
Real assets	5.0%	6.87%
Master limited partnerships	<u>8.0%</u>	7.36%
Total	<u>120.00%</u>	

Note: Assumptions are geometric. * Levered 2x

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

Discount Rate. Total OPEB liability was calculated using the discount rate of 3.24%. 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 of 8.0%. Based on those assumptions, OP&F's fiduciary net position was projected to be able to make all future benefit payment of current plan members through 2025. Therefore, a municipal bond rate of 3.16% at December 31, 2017 was blended with the long-term rate of 8.0%, which resulted in a blended discount rate of 3.24%. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 3.24%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.24%) and 1% point higher (4.24%) than the current discount rate.

	1% Decrease (2.24%)	Current Discount Rate of 3.24%	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$ 6,272,469	\$ 5,017,927	\$ 4,052,612

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS - *continued*

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate. Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.74%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current health care cost trend current rates as outlined in the table above, a 1% decrease in the trend rates and a 1% increase in the trend rates.

	Current		
	1% Decrease	Rates	1% Increase
City's proportionate share of the net OPEB liability	\$ 3,898,016	\$ 5,017,927	\$ 6,527,188

Changes Subsequent to the Measurement Date. In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place will be a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's net OPEB liability is not known.

NOTE 12 - OTHER EMPLOYEE BENEFITS

Compensated Absences

In accordance with GASB Statement No. 16, the City accrues a liability for sick leave and vacation when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined.

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. Vacation leave may accumulate up to a maximum of two years for non-salaried employees and three years for salaried employees. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 12 - OTHER EMPLOYEE BENEFITS – *continued*

Accumulated Unpaid Sick Leave

City employees earn sick leave at varying rates based upon length of service and when the employee was hired. City employees who have ten years of service, hired prior to March 1, 1992 for police officers, hired on or prior to July 1, 1992 for firefighters, and hired prior to July 1, 1992 for all other employees, and who have sick leave accumulated, receive payment upon retirement at a rate of one hour for each hour of accumulated and unused sick leave, to a maximum of 960 hours.

Employees who have ten years of service, hired on or after March 1, 1992 for police officers, hire after July 1, 1992 for firefighters, and hired on or after July 1, 1992 for all other employees who have sick leave accumulated receives payment upon retirement at a rate of one hour for each two hours of accumulated and unused sick leave, to a maximum of 480 hours. Individuals leaving the employment of the City prior to retirement or at retirement with less than ten years of service lose their accumulated sick leave.

A liability has been recognized in the accompanying financial statements for a portion of the sick leave hours of those employees who have ten years of service and are age 50 or older, or have eighteen years with local government employment as well as other employees who are expected to become eligible in the future to receive such payments.

Health Care Benefits

The City has elected to provide employee medical/surgical and prescription drug benefits through United Healthcare. The employees share the cost of the monthly premium with the City.

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2018, the City contracted with various commercial carriers for property, auto, crime, and liability insurance as well as public official bonds.

The City maintains comprehensive insurance coverage for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured. Worker's compensation benefits are provided through the State Bureau of Workers' Compensation. The City pays all public officials' bonds by statute.

The City has not incurred any significant reductions in insurance coverage from coverage in the prior year by major category of risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 14 - RELATED ORGANIZATION

The Carnegie Public Library is a related organization of the City. The City is not financially accountable for this fiscally independent organization. The imposition of will or financial benefit/burden relationship criteria set forth by GASB does not apply and the City's accountability is limited to the appointment of all members to the governing board of the Library.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 15 - CONTINGENT LIABILITIES

Litigation

The City is of the opinion that ultimate disposition of any claims and legal proceedings will not have material effect on the financial condition of the City.

Federal and State Grants

The City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The City believes all expenditures meet grant qualifications.

NOTE 16 - COMMITMENTS

As discussed previously, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances outstanding was as follows:

General Fund	\$ 47,993
Income Tax Levy	21,377
Permanent Improvement	170,348
Nonmajor Governmental Funds	<u>82,787</u>
	<u>\$ 322,505</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 17 - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed and unassigned 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 constraints placed on fund balance for the major governmental funds and nonmajor governmental funds are presented below:

Fund Balances	General Fund	Income Tax Levy	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>					
Prepays	\$ 26,537	\$ -	\$ -	\$ 3,889	\$ 30,426
Inventory	- - -	- - -	- - -	61,500	61,500
<i>Total Nonspendable</i>	<u>26,537</u>	<u>- - -</u>	<u>- - -</u>	<u>65,389</u>	<u>91,926</u>
<i>Restricted for</i>					
Police	- - -	188,460	- - -	30,120	218,580
Fire	- - -	142,145	- - -	12,260	154,405
Streets	- - -	23,366	- - -	423,552	446,918
Cemetery	- - -	70,119	- - -	413,142	483,261
Economic development	- - -	- - -	- - -	57,770	57,770
Community development	- - -	- - -	- - -	49,851	49,851
Municipal court	- - -	- - -	- - -	421,203	421,203
Debt service	- - -	- - -	135,173	894,011	1,029,184
Capital projects	- - -	- - -	585,013	986,560	1,571,573
Other purposes	- - -	6,720	- - -	69,886	76,606
<i>Total Restricted</i>	<u>- - -</u>	<u>430,810</u>	<u>720,186</u>	<u>3,358,355</u>	<u>4,509,351</u>
<i>Committed to</i>					
Bridge maintenance	- - -	- - -	- - -	59,341	59,341
<i>Assigned to</i>					
Budget resource	616,091	- - -	- - -	- - -	616,091
Other	15,339	- - -	- - -	- - -	15,339
<i>Total Assigned</i>	<u>631,430</u>	<u>- - -</u>	<u>- - -</u>	<u>- - -</u>	<u>631,430</u>
<i>Unassigned</i>	<u>692,223</u>	<u>- - -</u>	<u>- - -</u>	<u>- - -</u>	<u>692,223</u>
<i>Total Fund Balance</i>	<u>\$ 1,350,190</u>	<u>\$ 430,810</u>	<u>\$ 720,186</u>	<u>\$ 3,483,085</u>	<u>\$ 5,984,271</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2018

NOTE 18 - CHANGE IN ACCOUNTING PRINCIPLE

For 2018, the City implemented GASB Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from GASB Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expenses. The implementation of this pronouncement had the following effect on net position as reported December 31, 2017:

	Water	Sewer
Net Position at December 31, 2017	\$ 11,049,591	\$ 18,081,781
Adjustments:		
Net OPEB Liability	(433,329)	(484,308)
Deferred Outflows - Payments Subsequent to Measurement Date	<u>5,929</u>	<u>6,626</u>
Restated Net Position at December 31, 2017	<u><u>\$ 10,622,191</u></u>	<u><u>\$ 17,604,099</u></u>
	<hr/>	<hr/>
	Governmental Activities	Business-Type Activities
Net Position at December 31, 2017	\$ 1,578,695	\$ 29,131,511
Adjustments:		
Net OPEB Liability	(5,643,347)	(917,637)
Deferred Outflows - Payments Subsequent to Measurement Date	<u>32,237</u>	<u>12,555</u>
Restated Net Position at December 31, 2017	<u><u>\$ (4,032,415)</u></u>	<u><u>\$ 28,226,429</u></u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred outflows or inflows of resources as the information needed to generate these restatements was not available.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF WASHINGTON COURT HOUSE, OHIO

Required Supplementary Information

Schedule of City's Proportionate Share of the Net Pension Liability

Ohio Public Employees Retirement System - Traditional Pension Plan

Last Five Years (1) (2)

	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.03009%	\$ 3,547,573	\$ 3,422,746	103.65%	86.36%
2015	0.03009%	3,629,552	3,689,433	98.38%	86.45%
2016	0.02842%	4,922,327	3,541,017	139.01%	81.08%
2017	0.02659%	6,037,915	3,443,633	175.34%	77.25%
2018	0.02674%	4,194,879	3,445,492	121.75%	84.66%

(1) Information prior to 2014 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

Change in assumptions. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

CITY OF WASHINGTON COURT HOUSE, OHIO

Required Supplementary Information

Schedule of City Pension Contributions

Ohio Public Employees Retirement System - Traditional Pension Plan

Last Six Years (1)

Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions			City's Covered Payroll	Contributions as a Percentage of Covered Payroll
	Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll		
2013 \$ 444,957	\$ (444,957)	- \$ 3,422,746	13.00%		
2014 442,732	(442,732)	- 3,689,433	12.00%		
2015 424,922	(424,922)	- 3,541,017	12.00%		
2016 413,236	(413,236)	- 3,443,633	12.00%		
2017 447,914	(447,914)	- 3,445,492	13.00%		
2018 529,796	(529,796)	- 3,784,257	14.00%		

(1) Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

CITY OF WASHINGTON COURT HOUSE, OHIO

Required Supplementary Information

Schedule of City's Proportionate Share of the Net Pension Liability

Ohio Police and Fire Pension Fund

Last Five Years (1) (2)

	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.09454%	\$ 4,604,249	\$ 2,485,902	185.21%	73.00%
2015	0.09454%	4,897,411	1,943,178	252.03%	71.71%
2016	0.09350%	6,015,112	1,950,617	308.37%	66.77%
2017	0.08452%	5,353,435	1,913,634	279.75%	68.36%
2018	0.08856%	5,435,588	2,037,043	266.84%	70.91%

(1) Information prior to 2014 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

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

Notes to Schedule:

Change in assumptions. In 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2016. Significant changes included a reduction of the discount rate from 8.25% to 8.0%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

CITY OF WASHINGTON COURT HOUSE, OHIO

Required Supplementary Information

Schedule of City Pension Contributions

Ohio Police and Fire Pension Fund

Last Six Years (1)

Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions			City's Covered Payroll	Contributions as a Percentage of Covered Payroll
	Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll		
2013 \$ 424,592	\$ (424,592)	- \$ 2,485,902	17.08%		
2014 395,631	(395,631)	- 1,943,178	20.36%		
2015 391,879	(391,879)	- 1,950,617	20.09%		
2016 384,449	(384,449)	- 1,913,634	20.09%		
2017 409,242	(409,242)	- 2,037,043	20.09%		
2018 452,964	(452,964)	- 2,254,674	20.09%		

(1) Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

CITY OF WASHINGTON COURT HOUSE, OHIO**Required Supplementary Information****Schedule of City's Proportionate Share of the Net OPEB Liability****Ohio Public Employees Retirement System - Traditional Pension Plan****Last Two Years (1) (2)**

	<u>City's Proportion of the Net OPEB Liability</u>	<u>City's Proportionate Share of the Net OPEB Liability</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
2017	0.02524%	\$ 2,548,992	\$ 3,443,633	74.02%	54.05%
2018	0.02532%	2,749,366	3,445,492	79.80%	54.14%

(1) Information prior to 2017 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

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

CITY OF WASHINGTON COURT HOUSE, OHIO

Required Supplementary Information

Schedule of City OPEB Contributions

Ohio Public Employees Retirement System - Traditional Pension Plan

Last Six Years (1)

Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions			City's Covered Payroll	Contributions as a Percentage of Covered Payroll
	Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll		
2013 \$ 34,227	\$ (34,227)	- \$ 3,422,746	1.00%		
2014 73,789	(73,789)	- 3,689,433	2.00%		
2015 70,820	(70,820)	- 3,541,017	2.00%		
2016 70,738	(70,738)	- 3,443,633	2.00%		
2017 34,876	(34,876)	- 3,445,492	1.00%		
2018 -	-	- 3,784,257	0.00%		

(1) Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

CITY OF WASHINGTON COURT HOUSE, OHIO**Required Supplementary Information****Schedule of City's Proportionate Share of the Net OPEB Liability****Ohio Police and Fire Pension Fund**

Last Two Years (1) (2)

	<u>City's Proportion of the Net OPEB Liability</u>	<u>City's Proportionate Share of the Net OPEB Liability</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
2017	0.08452%	\$ 4,011,992	\$ 1,913,634	209.65%	15.96%
2018	0.08856%	5,017,927	2,037,043	246.33%	14.13%

(1) Information prior to 2017 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

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

CITY OF WASHINGTON COURT HOUSE, OHIO

Required Supplementary Information

Schedule of City OPEB Contributions

Ohio Police and Fire Pension Fund

Last Six Years (1)

	Contributions in Relation to the Contractually Required Contributions			City's Covered Payroll	Contributions as a Percentage of Covered Payroll
	Contractually Required Contributions	Contractually Required Contributions	Contribution Deficiency (Excess)		
2013	\$ 82,013	\$ (82,013)	\$ -	\$ 2,485,902	3.30%
2014	10,261	(10,261)	-	1,943,178	0.53%
2015	9,414	(9,414)	-	1,950,617	0.48%
2016	9,291	(9,291)	-	1,913,634	0.49%
2017	9,916	(9,916)	-	2,037,043	0.49%
2018	10,958	(10,958)	-	2,254,674	0.49%

(1) Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.