



Dave Yost • Auditor of State

**CITY OF WASHINGTON COURT HOUSE
FAYETTE COUNTY**

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FAYETTE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Washington Court House
Fayette County
105 N. Main Street
Washington C.H., Ohio 43160

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Washington Court House, Fayette County, Ohio (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Washington Court House, Fayette County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, during the year ended December 31, 2015, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The statements and schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling statements directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

December 2, 2016

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CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2015
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, 2015. 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, 2015 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 \$29,005,522.
- The City's total net position decreased during the year by \$173,660, or less than 1%.
- Total unrestricted net position deficit of \$4,899,675 was primarily attributable to new pension accounting and financial reporting requirements with the City's implementation of GASB Statement No. 68.
- The City's total expenses were \$16,524,544, a decrease of \$1,432,583.
- Program revenues of \$7,405,629 reduced the net cost of the City's functions to be financed from the City's general revenues to \$9,118,915.
- The City's unassigned fund balance of the General Fund totaled \$716,631 at year end, or 12% 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.

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.

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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 39 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 and Permanent Improvement Fund, which are considered to be major funds. Data from the other 37 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.

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Table 1 provides a summary of the City's net position for 2015 compared to 2014:

	<u>Table 1</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<i>Restated</i>		<i>Restated</i>		<i>Restated</i>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Assets:						
Current and Other Assets	\$ 7,759,734	\$ 7,942,353	\$ 2,002,080	\$ 1,714,695	\$ 9,761,814	\$ 9,657,048
Capital Assets, Net	<u>15,221,795</u>	<u>18,855,571</u>	<u>34,018,291</u>	<u>33,130,838</u>	<u>49,240,086</u>	<u>51,986,409</u>
Total Assets	<u>22,981,529</u>	<u>26,797,924</u>	<u>36,020,371</u>	<u>34,845,533</u>	<u>59,001,900</u>	<u>61,643,457</u>
Deferred outflow of resources	<u>993,943</u>	<u>675,470</u>	<u>345,192</u>	<u>309,891</u>	<u>1,339,135</u>	<u>985,361</u>
Liabilities:						
Current and Other Liabilities	642,395	683,878	608,656	593,824	1,251,051	1,277,702
Long-Term Liabilities:						
Due Within One Year	1,049,768	1,043,629	1,414,822	1,406,526	2,464,590	2,450,155
Due in More than One Year:						
Net Pension Liability	7,191,555	6,846,576	1,335,408	1,305,246	8,526,963	8,151,822
Other Long-Term Amounts	<u>11,829,723</u>	<u>12,546,755</u>	<u>5,735,122</u>	<u>7,055,280</u>	<u>17,564,845</u>	<u>19,602,035</u>
Total Liabilities	<u>20,713,441</u>	<u>21,120,838</u>	<u>9,094,008</u>	<u>10,360,876</u>	<u>29,807,449</u>	<u>31,481,714</u>
Deferred inflow of resources	<u>1,504,603</u>	<u>1,967,922</u>	<u>23,461</u>	<u>-</u>	<u>1,528,064</u>	<u>1,967,922</u>
Net Position:						
Net investment in capital assets	3,198,982	6,031,662	26,842,918	24,669,157	30,041,900	30,700,819
Restricted	3,863,297	3,602,076	-	-	3,863,297	3,602,076
Unrestricted (deficit)	<u>(5,304,851)</u>	<u>(5,249,104)</u>	<u>405,176</u>	<u>125,391</u>	<u>(4,899,675)</u>	<u>(5,123,713)</u>
Total Net Position	<u>\$ 1,757,428</u>	<u>\$ 4,384,634</u>	<u>\$27,248,094</u>	<u>\$24,794,548</u>	<u>\$ 29,005,522</u>	<u>\$ 29,179,182</u>

During 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*, which significantly revised accounting for pension costs and liabilities. 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 the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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Under the new standards required by GASB Statement No. 68, the net pension liability equals the City's proportionate share of each plan's collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension 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 receive the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both the 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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 pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contributions rates, and return on investments affect the balance of the net pension liability, 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 the required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

As a result of implementing GASB Statement No. 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$10,555,740 to \$4,384,634 for governmental activities and \$25,936,901 to \$24,794,548 for business-type activities.

Total assets decreased by \$2,641,557, or 4%. The majority of the decrease occurred in capital assets, which experienced depreciation expense exceeding capital additions during 2015.

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Total liabilities decreased by \$1,674,265, or 5%. Long-term liabilities decreased by approximately \$2 million, with the City making its scheduled principal payments on its general obligation and revenue bonds, contributing to the net decrease in total liabilities.

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 (\$30,041,900 of the total \$29,005,522) 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 (\$3,863,297) represents resources that are subject to restrictions on how they can be used. The remaining balance was a deficit of \$4,899,675, which is attributable to the City's implementation of GASB Statement No. 68. The City's total net position decreased from \$29,179,182 in 2014 to \$29,005,522 in 2015, a change of \$173,660 or less than 1%.

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 2014 and 2015.

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Table 2

	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,285,957	\$ 1,719,736	\$ 5,465,925	\$ 5,350,896	\$ 6,751,882	\$ 7,070,632
Operating Grants/Contributions	84,313	301,113	-	-	84,313	301,113
Capital Grants/Contributions	569,434	1,259,768	-	137,313	569,434	1,397,081
General Revenues:						
Municipal Income Taxes	5,741,053	5,282,097	-	-	5,741,053	5,282,097
Property and Other Taxes	1,229,879	1,307,762	-	-	1,229,879	1,307,762
Payment in Lieu of Taxes	681,698	685,375	-	-	681,698	685,375
Intergovernmental	961,433	1,042,723	-	-	961,433	1,042,723
Grants and Entitlements	500	1,000	-	-	500	1,000
Investment Earnings	23,524	46,843	2,754	14,189	26,278	61,032
Other	190,568	303,748	113,846	137,700	304,414	441,448
Total Revenues	<u>10,768,359</u>	<u>11,950,165</u>	<u>5,582,525</u>	<u>5,640,098</u>	<u>16,350,884</u>	<u>17,590,263</u>
Program Expenses:						
Security of Person & Property	4,012,741	4,009,376	-	-	4,012,741	4,009,376
Public Health Services	338,025	310,035	-	-	338,025	310,035
Leisure Time Activities	23,514	27,046	-	-	23,514	27,046
Community Environment	1,988,570	2,388,833	-	-	1,988,570	2,388,833
Transportation	2,163,055	2,816,063	-	-	2,163,055	2,816,063
General Government	2,594,827	2,500,586	-	-	2,594,827	2,500,586
Interest and Fiscal Charges	526,480	556,555	-	-	526,480	556,555
Water	-	-	2,257,870	2,585,986	2,257,870	2,585,986
Sewer	-	-	2,619,462	2,762,647	2,619,462	2,762,647
Total Expenses	<u>11,647,212</u>	<u>12,608,494</u>	<u>4,877,332</u>	<u>5,348,633</u>	<u>16,524,544</u>	<u>17,957,127</u>
Transfers	<u>(1,748,353)</u>	<u>-</u>	<u>1,748,353</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	(2,627,206)	(658,329)	2,453,546	291,465	(173,660)	(366,864)
Net Position, beginning of year	4,384,634	11,214,069	24,794,548	25,645,436	29,179,182	36,859,505
<i>Cumulative change for implementation of GASB 68</i>	<u>-</u>	<u>(6,171,106)</u>	<u>-</u>	<u>(1,142,353)</u>	<u>-</u>	<u>(7,313,459)</u>
Net Position, end of year	<u>\$ 1,757,428</u>	<u>\$ 4,384,634</u>	<u>\$ 27,248,094</u>	<u>\$ 24,794,548</u>	<u>\$29,005,522</u>	<u>\$29,179,182</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB Statement No. 68 is not available. Therefore, 2014 functional expenses still include pension of \$838,363 computed under GASB Statement No. 27. GASB Statement No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB Statement No. 68, the 2015 statements report pension expense of

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\$872,532. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed.

	Governmental Activities	Business-Type Activities
Total 2015 program expenses under GASB 68	\$ 11,647,212	\$ 4,877,332
Pension expense under GASB 68	(727,270)	(145,262)
2015 contractually required contributions	660,461	156,340
Adjusted 2015 program expenses	11,580,403	4,888,410
Total 2014 program expenses under GASB 27	12,608,494	5,348,633
Change in program expenses not related to pension	\$ (1,028,091)	\$ (460,223)

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 92% of the total governmental activities. Security of Persons and Property, which accounts for 34% 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 22% 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 19% of the total, represents costs associated with streets and their upkeep. Community Environment, which accounts for 17% 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 intergovernmental. The income tax revenue for 2015 was \$5,741,053. Of the \$10,768,359 in total revenues, income tax accounts for 53% of that total. The property tax revenue and payments in lieu of property taxes for 2015 was \$1,911,577 or 18% of total revenues. The intergovernmental revenue for 2015 was \$961,433 or 9% of total revenue.

Total governmental activities revenue decreased by approximately \$1.2 million, or 10%. The decrease is the result from declines in fines and forfeitures, receiving discretionary pass-through Federal funding from Fayette County for housing rehabilitations in 2014, with no such funding received in 2015, and receipt of grant funding from the Ohio Public Works Commission for Leesburg Avenue improvements in 2014 that was completed in 2015.

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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 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Security of persons and property	\$ 4,012,741	\$ 4,006,392	\$ 4,009,376	\$ 4,009,376
Public health services	338,025	242,075	310,035	210,587
Leisure time activities	23,514	23,514	27,046	27,046
Community environment	1,988,570	1,988,570	2,388,833	2,149,833
Transportation	2,163,055	1,593,421	2,816,063	1,556,055
General government	2,594,827	1,327,056	2,500,586	818,425
Interest on long-term debt	526,480	526,480	556,555	556,555
Total Expenses	\$ 11,647,212	\$ 9,707,508	\$ 12,608,494	\$ 9,327,877

It should be noted that 17% 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 \$9,707,508, 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. Total governmental activities' expenses decreased by approximately \$961,000, or 8%. The decrease was attributable to not receiving any Federal pass-through funding from the County, as occurred in 2014, and a group of transportation infrastructure assets that became fully depreciated at the end of 2014.

Business-Type Activities

The City's major business-type activities include water and sewer operations. The Water Fund's operating revenues were relatively consistent in 2015 of \$2,899,069, which is an increase of only \$32,374 from 2014, or 1%. Similarly, the Sewer Fund had operating revenues in 2015 of \$2,680,702, which was an increase of only \$58,801 from 2014, or 2%.

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.

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For the Year Ended December 31, 2015
Unaudited

The General Fund is the chief operating fund. At the end of 2015, the total fund balance for the General Fund was \$1,013,486 of which \$716,631 was unassigned. During the current year, the fund balance of the City's General Fund decreased by \$80,071, or by 7%. Total revenue decreased by approximately 5% during the year, primarily due to lower fines assessed and collected and lower reimbursements from the Water and Sewer Funds for services provided.

The Permanent Improvement Fund experienced a decrease in fund balance of 12% during the year due to completion of the Leesburg Avenue project and reduced equipment purchases compared with the prior year.

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 \$642,773 or 7%, which was higher than the prior year increase of \$476,405, due in part to a slight increase in revenue and lower reimbursements paid to the General Fund, as previously discussed, as well as a decrease in personnel expenses associated with retirement payouts and lower. Net position in the Sewer Fund also increased, by \$1,810,773, or 11%, due to similar reasons. Additionally, the Leesburg Avenue sewer project paid from the Permanent Improvement Fund was completed and transferred to the Sewer Fund.

The City did record a restatement to beginning net position in both the Water and Sewer Funds, due to posting sewer industrial use receipts into the Water Fund in prior years. An interfund loan was established between the two funds for the Water Fund to repay the Sewer Fund these receipts over a fifteen-year period beginning in 2016 (see Note 7).

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 \$6,213,898 and \$6,358,298, respectively, an increase of \$144,400, or only 2%. Actual revenues were \$5,957,034, due to lower than expected reimbursements from the enterprise funds and lower fines, licenses and permits.

The original and final budgeted expenditures were \$6,397,865 and \$6,500,565, respectively, an increase of \$102,700, or only 2%. Actual expenditures were \$6,105,605, \$394,960 less than the final budget due to retirements in several departments and not replacing them.

Capital Assets and Debt Administration

The City's net investment in capital assets for governmental and business-type activities as of December 31, 2015, amounts to \$30,041,900 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, equipment and infrastructure.

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Total capital assets for governmental activities of the City of Washington Court House for the year 2015 were \$15,221,795, or \$3,633,776 less than in 2014. This decrease was due mainly to annual depreciation expense and transfer of a completed sewer infrastructure project to the Sewer Fund.

The increase in capital assets for business-type activities of \$887,453 to \$34,018,291 as of December 31, 2015 was also mainly due to the addition of the completed sewer infrastructure project, net annual depreciation expense.

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, 2015, the City of Washington Court House had \$18,639,101 (excluding premiums) in bonds, long-term notes, leases and loans outstanding with \$2,148,415 due within one year.

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 enjoys local economic stability and with a slight economic growth. Cuts in funding to local governments across the State have had a negative impact on the financial position of the City. Thus far, attrition of the City's workforce has helped to mitigate the full impact of these cuts. Additionally, the City passed a ½ percent increase in the income tax rate that will be effective January 1, 2016. Also in May 2016, the City refinanced its Series 2007 Various Purpose bonds that will save the City approximately \$1 million over the life of the bonds.

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, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 3,334,699	\$ 1,311,586	\$ 4,646,285
Cash in segregated accounts	44,668	-	44,668
Receivables:			
Property taxes	432,334	-	432,334
Income taxes	2,138,892	-	2,138,892
Payment in lieu of taxes	1,058,300	-	1,058,300
Accounts	53,612	540,129	593,741
Loans, net	65,551	-	65,551
Intergovernmental	543,736	-	543,736
Prepaid items	27,550	76,271	103,821
Supplies inventory	60,392	74,094	134,486
Nondepreciable capital assets	1,100,975	1,198,935	2,299,910
Depreciable capital assets, net	14,120,820	32,819,356	46,940,176
Total assets	<u>22,981,529</u>	<u>36,020,371</u>	<u>59,001,900</u>
Deferred Outflows of Resources			
Deferred charges on refunding	-	117,598	117,598
Pensions	993,943	227,594	1,221,537
Total deferred outflows of resources	<u>993,943</u>	<u>345,192</u>	<u>1,339,135</u>
Liabilities			
Accounts payable	120,308	72,811	193,119
Accrued wages payable	197,268	61,470	258,738
Intergovernmental payable	164,277	46,110	210,387
Matured compensated absences	18,922	-	18,922
Accrued interest payable	41,620	78,265	119,885
Notes payable	100,000	350,000	450,000
Noncurrent liabilities:			
Due within one year	1,049,768	1,414,822	2,464,590
Due in more than one year:			
Net pension liability	7,191,555	1,335,408	8,526,963
Other amounts due in more than on year	11,829,723	5,735,122	17,564,845
Total liabilities	<u>20,713,441</u>	<u>9,094,008</u>	<u>29,807,449</u>
Deferred Inflows of Resources			
Property taxes and payment in lieu taxes	1,464,300	-	1,464,300
Pensions	40,303	23,461	63,764
Total deferred inflows of resources	<u>1,504,603</u>	<u>23,461</u>	<u>1,528,064</u>
Net Position			
Net investment in capital assets	3,198,982	26,842,918	30,041,900
Restricted for:			
Capital projects	1,330,406	-	1,330,406
Debt service	1,075,884	-	1,075,884
Other purposes	1,457,007	-	1,457,007
Unrestricted (deficit)	<u>(5,304,851)</u>	<u>405,176</u>	<u>(4,899,675)</u>
Total net position	<u>\$ 1,757,428</u>	<u>\$ 27,248,094</u>	<u>\$ 29,005,522</u>

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Activities

Year Ended December 31, 2015

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	\$ 4,012,741	\$ -	\$ 6,349	\$ -	\$ (4,006,392)	\$ -	\$ (4,006,392)
Public health services	338,025	95,950	-	-	(242,075)	-	(242,075)
Leisure time activities	23,514	-	-	-	(23,514)	-	(23,514)
Community environment	1,988,570	-	-	-	(1,988,570)	-	(1,988,570)
Transportation	2,163,055	200	-	569,434	(1,593,421)	-	(1,593,421)
General government	2,594,827	1,189,807	77,964	-	(1,327,056)	-	(1,327,056)
Interest on long-term debt	526,480	-	-	-	(526,480)	-	(526,480)
Total governmental activities	<u>11,647,212</u>	<u>1,285,957</u>	<u>84,313</u>	<u>569,434</u>	<u>(9,707,508)</u>	<u>-</u>	<u>(9,707,508)</u>
Business-type activities:							
Water	2,257,870	2,821,452	-	-	-	563,582	563,582
Sewer	2,619,462	2,644,473	-	-	-	25,011	25,011
Total business-type activities	<u>4,877,332</u>	<u>5,465,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>588,593</u>	<u>588,593</u>
Total	<u>\$ 16,524,544</u>	<u>\$ 6,751,882</u>	<u>\$ 84,313</u>	<u>\$ 569,434</u>	<u>(9,707,508)</u>	<u>588,593</u>	<u>(9,118,915)</u>
General revenues:							
Taxes:							
Income taxes					5,741,053	-	5,741,053
Property taxes					1,229,879	-	1,229,879
Payment in lieu of taxes					681,698	-	681,698
Intergovernmental					961,433	-	961,433
Grants and contributions not restricted to specific programs					500	-	500
Investment earnings					23,524	2,754	26,278
Miscellaneous					190,568	113,846	304,414
Transfers					(1,748,353)	1,748,353	-
Total general revenues and transfers					<u>7,080,302</u>	<u>1,864,953</u>	<u>8,945,255</u>
Change in net position					(2,627,206)	2,453,546	(173,660)
Net position beginning of year, <i>restated</i>					4,384,634	24,794,548	29,179,182
Net position end of year					<u>\$ 1,757,428</u>	<u>\$ 27,248,094</u>	<u>\$ 29,005,522</u>

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO

Balance Sheet
 Governmental Funds
 December 31, 2015

	General Fund	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 531,065	\$ 614,674	\$ 2,188,960	\$ 3,334,699
Cash in segregated accounts	25,706	-	18,962	44,668
Receivables:				
Property taxes	319,458	-	112,876	432,334
Income taxes	1,475,098	373,527	290,267	2,138,892
Payment in lieu of taxes	-	-	1,058,300	1,058,300
Accounts	33,375	-	20,237	53,612
Loans, net	-	-	65,551	65,551
Intergovernmental	241,392	-	302,344	543,736
Prepays	24,645	-	2,905	27,550
Supplies inventory	-	-	60,392	60,392
Total assets	<u>2,650,739</u>	<u>988,201</u>	<u>4,120,794</u>	<u>7,759,734</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:				
Liabilities:				
Accounts payable	50,391	53,643	16,274	120,308
Notes payable	-	-	100,000	100,000
Accrued wages payable	162,373	2,433	32,462	197,268
Matured compensated absences payable	7,236	-	11,686	18,922
Intergovernmental payable	145,235	2,282	16,760	164,277
Total liabilities	<u>365,235</u>	<u>58,358</u>	<u>177,182</u>	<u>600,775</u>
Deferred Inflows of Resources:				
Property taxes and payment in lieu taxes	300,000	-	1,164,300	1,464,300
Unavailable revenue	972,018	196,564	426,994	1,595,576
Total deferred inflows of resources	<u>1,272,018</u>	<u>196,564</u>	<u>1,591,294</u>	<u>3,059,876</u>
Fund Balances:				
Nonspendable	24,645	-	63,297	87,942
Restricted	-	733,279	2,317,118	3,050,397
Committed	-	-	67,665	67,665
Assigned	272,210	-	-	272,210
Unassigned	716,631	-	(95,762)	620,869
Total fund balances	<u>1,013,486</u>	<u>733,279</u>	<u>2,352,318</u>	<u>4,099,083</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,650,739</u>	<u>\$ 988,201</u>	<u>\$ 4,120,794</u>	<u>\$ 7,759,734</u>

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2015

Total governmental fund balances	\$	4,099,083
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		15,221,795
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		1,125,566
Intergovernmental and other receivables		443,676
Delinquent property taxes		26,334
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		(10,745,000)
Unamortized bond premiums		(177,182)
Lease/purchase agreement		(196,483)
Compensated absences		(956,678)
Accrued interest on long-term debt		(41,620)
OPWC loan		(804,148)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred outflows - pension		993,943
Deferred inflows - pension		(40,303)
Net pension liability		<u>(7,191,555)</u>
Net position of governmental activities	\$	<u>1,757,428</u>

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended December 31, 2015

	General Fund	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 317,451	\$ -	\$ 977,571	\$ 1,295,022
Municipal income taxes	3,777,908	958,837	741,221	5,477,966
Intergovernmental	573,512	-	896,928	1,470,440
Charges for services	783,493	-	95,950	879,443
Fines, licenses and permits	334,946	-	297,007	631,953
Interest	24,140	-	495	24,635
Payment in lieu of taxes	-	-	681,698	681,698
Other	135,077	113,272	54,154	302,503
Total revenues	<u>5,946,527</u>	<u>1,072,109</u>	<u>3,745,024</u>	<u>10,763,660</u>
Expenditures:				
Current:				
Security of persons and property	3,198,120	-	385,895	3,584,015
Public health services	34,750	-	286,959	321,709
Leisure time activities	14,025	-	-	14,025
Community environment	629,846	-	522,149	1,151,995
Transportation	-	-	778,748	778,748
General government	2,149,857	-	376,628	2,526,485
Capital outlay	-	817,655	-	817,655
Debt service:				
Principal retirement	-	135,477	645,000	780,477
Interest and fiscal charges	-	43,955	495,403	539,358
Total expenditures	<u>6,026,598</u>	<u>997,087</u>	<u>3,490,782</u>	<u>10,514,467</u>
Net change in fund balance	(80,071)	75,022	254,242	249,193
Fund balance, beginning of year	<u>1,093,557</u>	<u>658,257</u>	<u>2,098,076</u>	<u>3,849,890</u>
Fund balance, end of year	<u>\$ 1,013,486</u>	<u>\$ 733,279</u>	<u>\$ 2,352,318</u>	<u>\$ 4,099,083</u>

See accompanying notes to the basic financial statements.

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, 2015

Net change in fund balances - total governmental funds		\$ 249,193
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
Capital asset additions	67,558	
Depreciation expense	<u>(1,426,596)</u>	(1,359,038)
In the statement of activities, the completion of sewer infrastructure was reported as a transfer between governmental activities and business-type activities, whereas capital asset transactions are not reported in the funds.		
		(1,748,353)
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.		
		(526,385)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Income taxes receivable	263,087	
Intergovernmental and other receivables	(85,799)	
Interest	(1,111)	
Delinquent property taxes	<u>(65,143)</u>	111,034
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	(80,203)	
Amortization of bond premiums	10,619	(69,584)
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due.		
		2,259
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.		
		780,477
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		660,461
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		<u>(727,270)</u>
Change in net position of governmental activities		\$ <u>(2,627,206)</u>

See accompanying notes to the basic financial statements.

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, 2015

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 350,000	\$ 350,000	317,451	\$ (32,549)
Municipal income taxes	3,690,000	3,790,000	3,774,222	(15,778)
Intergovernmental	593,500	599,400	575,167	(24,233)
Charges for services	901,758	907,258	783,493	(123,765)
Fines, licenses and permits	475,000	475,000	339,876	(135,124)
Interest	30,000	30,000	31,748	1,748
Other	173,640	206,640	135,077	(71,563)
Total revenues	<u>6,213,898</u>	<u>6,358,298</u>	<u>5,957,034</u>	<u>(401,264)</u>
Expenditures:				
Current:				
Security of persons and property	3,417,919	3,377,919	3,232,269	145,650
Public health services	35,000	35,000	34,750	250
Leisure time activities	26,860	26,860	14,025	12,835
Community environment	793,073	793,073	678,369	114,704
General government	<u>2,125,013</u>	<u>2,267,713</u>	<u>2,146,192</u>	<u>121,521</u>
Total expenditures	<u>6,397,865</u>	<u>6,500,565</u>	<u>6,105,605</u>	<u>394,960</u>
Net change in fund balance	(183,967)	(142,267)	(148,571)	(6,304)
Fund balance, beginning of year	607,082	607,082	607,082	-
Prior year encumbrances appropriated	<u>39,248</u>	<u>39,248</u>	<u>39,248</u>	<u>-</u>
Fund balance, end of year	<u>\$ 462,363</u>	<u>\$ 504,063</u>	<u>\$ 497,759</u>	<u>\$ (6,304)</u>

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Net Position

Proprietary Funds

December 31, 2015

	Enterprise Funds			Totals
	Water	Sewer	Nonmajor Enterprise Fund	
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 771,211	\$ 540,236	\$ 139	\$ 1,311,586
Receivables:				
Accounts	296,042	244,087	-	540,129
Advances to other funds	-	687,798	-	687,798
Prepaid Items	42,164	34,107	-	76,271
Supplies inventory	74,094	-	-	74,094
Total current assets	<u>1,183,511</u>	<u>1,506,228</u>	<u>139</u>	<u>2,689,878</u>
Noncurrent assets:				
Nondepreciable capital assets	936,721	262,214	-	1,198,935
Depreciable capital assets, net	13,218,092	19,601,264	-	32,819,356
Total noncurrent assets	<u>14,154,813</u>	<u>19,863,478</u>	<u>-</u>	<u>34,018,291</u>
Total assets	<u>15,338,324</u>	<u>21,369,706</u>	<u>139</u>	<u>36,708,169</u>
Deferred outflows of resources				
Deferred charge on refunding	117,598	-	-	117,598
Pensions	112,181	115,413	-	227,594
Total deferred outflows of resources	<u>229,779</u>	<u>115,413</u>	<u>-</u>	<u>345,192</u>
Liabilities				
Current Liabilities:				
Accounts payable	42,884	29,927	-	72,811
Accrued wages payable	38,310	23,160	-	61,470
Intergovernmental payable	23,436	22,674	-	46,110
Advances from other funds	687,798	-	-	687,798
Accrued interest payable	34,566	43,699	-	78,265
Notes payable	-	350,000	-	350,000
Loans payable	222,215	389,404	-	611,619
Compensated absences payable	33,332	39,871	-	73,203
Revenue bonds payable	730,000	-	-	730,000
Total current liabilities	<u>1,812,541</u>	<u>898,735</u>	<u>-</u>	<u>2,711,276</u>
Noncurrent liabilities:				
Compensated absences payable	68,926	64,844	-	133,770
Loans payable	1,128,197	2,158,654	-	3,286,851
Revenue bonds payable	2,314,501	-	-	2,314,501
Net pension liability	658,223	677,185	-	1,335,408
Total noncurrent liabilities	<u>4,169,847</u>	<u>2,900,683</u>	<u>-</u>	<u>7,070,530</u>
Total liabilities	<u>5,982,388</u>	<u>3,799,418</u>	<u>-</u>	<u>9,781,806</u>
Deferred Inflows of Resources				
Pensions	11,564	11,897	-	23,461
Net Position				
Net investment in capital assets	9,877,498	16,965,420	-	26,842,918
Unrestricted (deficit)	(303,347)	708,384	139	405,176
Total net position	<u>\$ 9,574,151</u>	<u>\$ 17,673,804</u>	<u>\$ 139</u>	<u>\$ 27,248,094</u>

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2015

	Enterprise Funds			Totals
	Water	Sewer	Nonmajor Enterprise Fund	
Operating revenues:				
Charges for services	\$ 2,821,452	\$ 2,644,473	\$ -	\$ 5,465,925
Other	77,617	36,229	-	113,846
Total operating revenues	<u>2,899,069</u>	<u>2,680,702</u>	<u>-</u>	<u>5,579,771</u>
Operating expenses:				
Personnel services	977,862	1,009,018	-	1,986,880
Contractual services	361,430	530,647	-	892,077
Supplies and materials	194,415	133,790	-	328,205
Other	292,221	246,082	-	538,303
Depreciation	280,532	604,318	-	884,850
Total operating expenses	<u>2,106,460</u>	<u>2,523,855</u>	<u>-</u>	<u>4,630,315</u>
Operating income	792,609	156,847	-	949,456
Non-operating revenues (expenses):				
Investment earnings	1,574	1,180	-	2,754
Interest expense and fiscal charges	(151,410)	(95,607)	-	(247,017)
Total non-operating revenues (expenses)	<u>(149,836)</u>	<u>(94,427)</u>	<u>-</u>	<u>(244,263)</u>
Income before contribution	642,773	62,420	-	705,193
Capital contribution	-	1,748,353	-	1,748,353
Change in net position	642,773	1,810,773	-	2,453,546
Net position, beginning of year, <i>restated</i>	<u>8,931,378</u>	<u>15,863,031</u>	<u>139</u>	<u>24,794,548</u>
Net position, end of year	<u>\$ 9,574,151</u>	<u>\$ 17,673,804</u>	<u>\$ 139</u>	<u>\$ 27,248,094</u>

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2015

	Enterprise Funds			Totals
	Water	Sewer	Nonmajor Enterprise Fund	
Cash flows from operating activities:				
Cash received from customers	\$ 2,840,404	\$ 2,667,385	\$ -	\$ 5,507,789
Cash payments for employee services and benefits	(996,896)	(985,503)	-	(1,982,399)
Cash payments to suppliers for goods and services	(546,710)	(653,302)	-	(1,200,012)
Cash payments for other operating expenses	(292,416)	(246,082)	-	(538,498)
Cash received from other operating revenue	77,617	36,229	-	113,846
Net cash from operating activities	<u>1,081,999</u>	<u>818,727</u>	<u>-</u>	<u>1,900,726</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	-	(23,950)	-	(23,950)
Principal paid on sewer note	-	(4,158)	-	(4,158)
Proceeds from notes	-	350,000	-	350,000
Principal payments on bonds and loans	(922,792)	(726,383)	-	(1,649,175)
Interest paid on bonds, notes and loans	(140,228)	(102,062)	-	(242,290)
Net cash from capital and related financing activities	<u>(1,063,020)</u>	<u>(506,553)</u>	<u>-</u>	<u>(1,569,573)</u>
Cash flows from investing activities:				
Interest	2,234	1,840	-	4,074
Net change	21,213	314,014	-	335,227
Cash and pooled investments beginning of year	749,998	226,222	139	976,359
Cash and pooled investments end of year	<u>\$ 771,211</u>	<u>\$ 540,236</u>	<u>\$ 139</u>	<u>\$ 1,311,586</u>
Reconciliation of operating income to net cash from operating activities:				
Operating income	\$ 792,609	\$ 156,847	\$ -	\$ 949,456
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	280,532	604,318	-	884,850
Changes in assets, liabilities and deferred outflows and inflows:				
Receivables	18,952	22,912	-	41,864
Prepaid items	(1,239)	4,684	-	3,445
Supplies inventory	1,213	-	-	1,213
Accounts payable	8,966	6,451	-	15,417
Matured compensated absences	-	-	-	-
Accrued wages	18,488	3,566	-	22,054
Intergovernmental payable	(4,743)	(5,598)	-	(10,341)
Compensated absences payable	(27,319)	31,165	-	3,846
Deferred outflows - pensions	(31,891)	(32,810)	-	(64,701)
Deferred inflows - pensions	11,564	11,897	-	23,461
Net pension liability	14,867	15,295	-	30,162
Net cash from operating activities	<u>\$ 1,081,999</u>	<u>\$ 818,727</u>	<u>\$ -</u>	<u>\$ 1,900,726</u>

Noncash Transactions:

During 2015, Governmental Activities transferred \$1,748,353 in infrastructure to the Sewer Fund.

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Net Position

Fiduciary Funds

December 31, 2015

	<u>Private- Purpose Trust Fund</u>	<u>Agency Funds</u>
<i>Assets</i>		
Equity in pooled cash and cash equivalents	\$ 19,121	\$ 38,544
Cash in segregated accounts	<u>-</u>	<u>32,048</u>
Total assets	<u>19,121</u>	<u>70,592</u>
<i>Liabilities</i>		
Intergovernmental payable	-	18,251
Deposits held and due to others	<u>-</u>	<u>52,341</u>
Total liabilities	<u>-</u>	<u>\$ 70,592</u>
<i>Net Position</i>		
Held in trust	<u>\$ 19,121</u>	

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Changes in Net Position

Fiduciary Fund

Year Ended December 31, 2015

	<u>Private- Purpose Trust Fund</u>
<i>Additions:</i>	
Miscellaneous	\$ <u>2,486</u>
<i>Deductions:</i>	
Contractual Services	<u>2,000</u>
Change in net position	486
Net position, beginning of year	<u>18,635</u>
Net position, end of year	<u>\$ 19,121</u>

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

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 15).

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, 2015

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.
- ***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, 2015

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 three agency funds consist of the Law Enforcement Trust, Betterment of Inma, and Street Replacement.

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, 2015

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 and pension. 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 are explained in Note 11.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

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, and pension. Property taxes and payments in lieu of taxes represent amounts that are measurable as of December 31, 2015, but are intended to finance 2016 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 are reported on the government-wide and proprietary fund statements of net position (see Note 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, 2015

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 2015.

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 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 restricted, committed or assigned fund balance (GAAP).

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

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

Net change in fund balance - GAAP Basis	\$	(80,071)
Increase / (decrease):		
Due to revenues		10,507
Due to expenditures		(39,010)
Due to encumbrances		<u>(39,997)</u>
Net change in fund balance - Budget Basis	\$	<u>(148,571)</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 2015, 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, U.S. treasury securities and Series 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.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price which is the price the investment could be sold for on December 31, 2015.

Receivables

Receivables at December 31, 2015 consist of property and income taxes, payments in lieu of taxes, interest, consumer accounts (billings for user charged services, included unbilled utility services), loans 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, 2015 of \$20,415 for doubtful collections.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

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

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, 2015 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 fair market values 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.

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

Interest is capitalized on proprietary fund capital assets acquired with tax-exempt debt. There was no interest required to be capitalized during the 2015 fiscal year.

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.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

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

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.

Pensions

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

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.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

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

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.

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.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

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

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 \$3,863,297 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.

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;

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

NOTE 3 - DEPOSITS AND INVESTMENTS – *continued*

- (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
- (7) Certain banker’s acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time.

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.

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.”

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

NOTE 3 - DEPOSITS AND INVESTMENTS - *continued*

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). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all 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 \$1,585,269 and the bank balance was \$1,624,392. 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.

Investments: The City's investments at December 31, 2015 are summarized as follows:

	<u>Fair Value</u>	Weighted Average <u>Maturity (Years)</u>	<u>Concentration of Credit Risk</u>
FFCB	\$ 721,105	2.13	22.56%
FNMA	247,967	0.64	7.76%
FHLMC	744,148	2.44	23.29%
Negotiable Certificates of Deposit	1,012,216	1.03	31.68%
STAROhio	28,690	-	0.90%
Series HH Bonds	5,000	-	0.16%
Money Markets	88,592	-	2.77%
US Treasury	<u>347,679</u>		<u>10.88%</u>
	<u>\$ 3,195,397</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 FFCB, FNMA and FHLMC 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 AAAM 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.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

NOTE 3 - DEPOSITS AND INVESTMENTS - *continued*

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.

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 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes are levied after October 1, 2015 on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2015.

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. 2015 public utility property taxes, which became a lien December 31, 2014 are levied after October 1, 2015, and are collected in 2015 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 2015 taxes were collected was \$210,552,000. The full tax rate for all City operations applied for real property for fiscal year ended December 31, 2015 was \$9.35 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, 2015. 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 2015 operations. The receivable is therefore offset by a credit to deferred inflows of resources.

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.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance 1/1/15	Additions	Deletions	Balance 12/31/15
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$ 1,078,475	\$ 22,500	\$ -	\$ 1,100,975
Construction in progress	2,274,738	-	(2,274,738)	-
<i>Total Nondepreciable Capital Assets</i>	<u>3,353,213</u>	<u>22,500</u>	<u>(2,274,738)</u>	<u>1,100,975</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	515,135	-	-	515,135
Buildings and Improvements	9,430,598	-	-	9,430,598
Equipment and Vehicles	5,555,861	45,058	-	5,600,919
Infrastructure	51,110,435	-	-	51,110,435
<i>Total Depreciable Capital Assets</i>	<u>66,612,029</u>	<u>45,058</u>	<u>-</u>	<u>66,657,087</u>
<i>Accumulated Depreciation:</i>				
Land Improvements	(495,184)	(7,131)	-	(502,315)
Buildings and Improvements	(1,422,794)	(210,939)	-	(1,633,733)
Equipment and Vehicles	(4,234,991)	(297,761)	-	(4,532,752)
Infrastructure	(44,956,702)	(910,765)	-	(45,867,467)
<i>Total Accumulated Depreciation</i>	<u>(51,109,671)</u>	<u>(1,426,596)</u>	<u>-</u>	<u>(52,536,267)</u>
<i>Total Govt Activities Capital Assets, Net</i>	<u>\$ 18,855,571</u>	<u>\$ (1,359,038)</u>	<u>\$ (2,274,738)</u>	<u>\$ 15,221,795</u>

Construction in progress at the beginning of the year represents the accumulation of financing of project costs on the Leesburg Avenue sewer infrastructure project. The project was a collaboration with the Ohio Public Works Commission (OPWC) and Ohio Department of Transportation (ODOT). The City was required to provide upfront funding of \$970,844 paid from the Permanent Improvement Fund. OPWC and ODOT contributed additional funding through grants and loans. After an analysis was performed upon completion of the project, the final actual costs came to \$1,748,353. During 2015, the sewer infrastructure project of \$1,748,353 was transferred to the Sewer Fund and placed into service. The remaining amount in construction in progress of \$526,385 was removed from capital assets and expensed.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

NOTE 6 - CAPITAL ASSETS – *continued*

Depreciation expense was charged to governmental functions as follows:

Security of Persons and Property	\$ 367,752
Leisure Time Activities	9,489
Public Health	18,378
Transportation	959,580
General Government	71,397
Total Depreciation Expense	<u>\$ 1,426,596</u>

	Balance 1/1/15	Additions	Deletions	Balance 12/31/15
Business Type Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$ 1,198,935	\$ -	\$ -	\$ 1,198,935
<i>Total Nondepreciable Capital Assets</i>	<u>1,198,935</u>	<u>-</u>	<u>-</u>	<u>1,198,935</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	635,869	23,950	-	659,819
Buildings and Improvements	26,641,789	-	-	26,641,789
Equipment and Vehicles	2,853,292	-	-	2,853,292
Infrastructure	22,424,022	1,748,353	-	24,172,375
<i>Total Depreciable Capital Assets</i>	<u>52,554,972</u>	<u>1,772,303</u>	<u>-</u>	<u>54,327,275</u>
<i>Accumulated Depreciation:</i>				
Land Improvements	(625,327)	(7,627)	-	(632,954)
Buildings and Improvements	(9,502,689)	(603,655)	-	(10,106,344)
Equipment and Vehicles	(2,733,535)	(19,403)	-	(2,752,938)
Infrastructure	(7,761,518)	(254,165)	-	(8,015,683)
<i>Total Accumulated Depreciation</i>	<u>(20,623,069)</u>	<u>(884,850)</u>	<u>-</u>	<u>(21,507,919)</u>
<i>Total Bus. Activities Capital Assets, Net</i>	<u>\$ 33,130,838</u>	<u>\$ 887,453</u>	<u>\$ -</u>	<u>\$ 34,018,291</u>

Depreciation expense was charged to segments as follows:

Water	\$ 280,532
Sewer	604,318
Total Depreciation Expense	<u>\$ 884,850</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

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 2016.

During 2015, \$1,748,353 in sewer infrastructure was transferred from Governmental Activities to the Sewer Fund (see Note 6).

NOTE 8 - LONG-TERM LIABILITIES

The changes in the City's long-term liabilities for the year ended December 31, 2015 were as follows:

	<i>Restated</i> Balance at 1/1/15	Issued	Retired	Balance at 12/31/15	Amount Due Within One Year
<i>Governmental Activities:</i>					
Various Purpose 2007 GO Bonds:					
Note Refinancing	\$ 1,585,000	\$ -	\$ (90,000)	\$ 1,495,000	\$ 95,000
Safety Services	5,295,000	-	(380,000)	4,915,000	395,000
Tax Increment Financing	2,760,000	-	(100,000)	2,660,000	105,000
Premium on Series 2007	161,109	-	(8,951)	152,158	-
Various Purpose 2011					
Refunding GO Bonds:					
Road Way Improvement	655,000	-	(35,000)	620,000	35,000
Refunding	335,000	-	(40,000)	295,000	40,000
Fire Apparatus	800,000	-	(40,000)	760,000	40,000
Premium on Series 2011	26,692	-	(1,668)	25,024	-
Lease/Purchase Agreement	259,303	-	(62,820)	196,483	64,139
OPWC Loans	836,805	-	(32,657)	804,148	32,657
Compensated Absences Payable	876,475	435,761	(355,558)	956,678	242,972
Net Pension Liability:					
OPERS	2,242,327	51,817	-	2,294,144	-
OP&F	4,604,249	293,162	-	4,897,411	-
<i>Total Governmental Activities</i>	<u>\$ 20,436,960</u>	<u>\$ 780,740</u>	<u>\$ (1,146,654)</u>	<u>\$ 20,071,046</u>	<u>\$ 1,049,768</u>

On September 6, 2007 the City issued \$12,875,000 various purpose general obligation bonds. The proceeds of the issue included retiring \$3,165,000 in various purpose infrastructure improvement notes, \$2,105,000 in an outstanding capital improvement TIF note and \$7,480,000 for the construction of a new safety building for the police and fire departments. The interest rate of the bonds range from 4.125% to 5.0% and will mature fully in 2032.

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.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

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 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.

In 2008, the City entered into a lease/purchase agreement for \$610,000 at an interest rate of 4.2% for a comprehensive energy program and energy capital services for the city as a whole. These improvements include installation of energy saving equipment and will be repaid in 2018.

	<i>Restated</i> Balance at 1/1/15	Issued	Retired	Balance at 12/31/15	Amount Due Within One Year
<i>Business Type Activities:</i>					
<i>Water System Bonds:</i>					
Series 2012 Revenue Refunding	\$ 3,705,000	\$ -	\$ (710,000)	\$ 2,995,000	\$ 730,000
Premium on Series 2012	61,876	-	(12,375)	49,501	-
OWDA Sewer Loan	2,924,441	-	(376,383)	2,548,058	389,404
OWDA Water Loan	1,563,204	-	(212,792)	1,350,412	222,215
Sewer Issue II Note	4,158	-	(4,158)	-	-
Compensated Absences Payable	203,127	142,763	(138,917)	206,973	73,203
<i>Net Pension Liability:</i>					
OPERS	1,305,246	30,162	-	1,335,408	-
<i>Total Business Type Activities</i>	<u>\$ 9,767,052</u>	<u>\$ 172,925</u>	<u>\$ (1,454,625)</u>	<u>\$ 8,485,352</u>	<u>\$ 1,414,822</u>

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 2015, the Water Fund reported \$1,073,141 of net pledged revenues for coverage of annual debt service of \$784,100. The remaining debt service for these bonds at December 31, 2015 was \$3,146,100.

The Ohio Water Development Authority 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%. Each of these OWDA loans will be repaid from Water Fund and Sewer Fund revenues.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

NOTE 8 - LONG-TERM LIABILITIES – *continued*

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 \$4,375,211.

Principal and interest requirements to retire the City’s governmental activities’ outstanding notes and bonds as of December 31, 2015, are as follows:

	<u>Series 2007 Bonds</u>		<u>Series 2011 Bonds</u>		<u>OPWC</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2016	\$ 595,000	\$ 431,056	\$ 115,000	\$ 68,385	\$ 32,657
2017	625,000	405,769	115,000	65,510	32,657
2018	655,000	374,519	120,000	62,060	32,657
2019	680,000	347,500	125,000	58,460	32,658
2020	715,000	313,500	120,000	54,085	32,658
2021-2025	4,140,000	1,005,600	510,000	204,230	163,282
2026-2030	1,230,000	245,475	570,000	88,500	163,283
2031-2035	430,000	29,250	-	-	127,559
2036-2040	-	-	-	-	103,741
2041-2044	-	-	-	-	82,996
Total	<u>\$ 9,070,000</u>	<u>\$ 3,152,669</u>	<u>\$ 1,675,000</u>	<u>\$ 601,230</u>	<u>\$ 804,148</u>

Principal and interest requirements to retire the City’s business-type activities’ outstanding notes, bonds, and loans as of December 31, 2015, are as follows:

	<u>Water Revenue Bonds</u>		<u>OWDA Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 730,000	\$ 59,900	\$ 611,619	\$ 140,828
2017	740,000	45,300	634,929	117,519
2018	755,000	30,500	659,141	93,307
2019	770,000	15,400	684,291	68,157
2020	-	-	710,415	42,033
2021	-	-	598,075	14,897
Total	<u>\$2,995,000</u>	<u>\$ 151,100</u>	<u>\$ 3,898,470</u>	<u>\$ 476,741</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

NOTE 9 - SHORT-TERM OBLIGATIONS

The following activity was related to the issuance of short-term obligations:

	<u>Issue Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>					
Court Special Project BAN - 1.5%	12/18/2014	\$ 110,000	\$ -	\$ (110,000)	\$ -
Court Special Project BAN - 1.75%	12/17/2015	-	100,000	-	100,000
		<u>\$ 110,000</u>	<u>\$ 100,000</u>	<u>\$ (110,000)</u>	<u>\$ 100,000</u>
<u>Business-Type Activities:</u>					
Wastewater Treatment System BAN - 1.5%	12/18/2014	\$ 350,000	\$ -	\$ (350,000)	\$ -
Wastewater Treatment System BAN - 1.75%	12/17/2015	-	350,000	-	350,000
		<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ (350,000)</u>	<u>\$ 350,000</u>

The City issued \$460,000 in various purpose bond anticipation notes on December 18, 2014. \$350,000 of the notes was issued to pay for engineering costs related to the sewer treatment plant and was paid with user fees of the Sewer Fund. The other \$110,000 was issued to pay for court related equipment and was paid with court fees from the Court Special Project Fund. On December 17, 2015, the City issued bond anticipation notes in the amount of \$450,000 that provided funding to rollover the bond anticipation notes issued in December 2014.

NOTE 10 - CAPITAL LEASES

The City previously entered into a lease agreement for energy-saving equipment of \$610,000. The energy-saving equipment was scheduled to be repaid over ten years and has four years remaining. 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, 2015:

<u>Year Ending December 31</u>	
2016	\$ 72,391
2017	71,044
2018	<u>69,669</u>
Total Future Minimum Lease Payments	213,104
Less: Amount Representing Interest	<u>16,621</u>
Present Value of Future Minimum Lease Payments	<u>\$ 196,483</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

NOTE 11 – 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, 2015

NOTE 11 – 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	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 2015, member contribution rates were 10% of salary and employer contribution rates were 14%. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 2.0% during calendar year 2015 (see Note 12). Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$424,922 for 2015. Of this amount, \$82,354 is reported as an intergovernmental payable.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

NOTE 11 – 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, 2015

NOTE 11 – DEFINED BENEFIT PENSION PLANS – continued

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

	<u>Police</u>		<u>Firefighters</u>	
2015 Statutory Maximum Contribution Rates				
Employer	19.50	%	24.00	%
Employee:				
January 1, 2015 through July 1, 2015	11.50	%	11.50	%
July 2, 2015 through December 31, 2015	12.25	%	12.25	%
2015 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>%</u>	<u>24.00</u>	<u>%</u>
Employee:				
January 1, 2015 through July 1, 2015	11.50	%	11.50	%
July 2, 2015 through December 31, 2015	12.25	%	12.25	%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$391,879 for 2015. Of this amount, \$59,153 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, 2014 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, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>OPERS</u>		<u>OP&F</u>		<u>Total</u>
Proportionate Share of Net Pension Liability	\$ 3,629,552	\$	4,897,411	\$	8,526,963
Proportion of Net Pension Liability	0.030093%		0.94537%		
Pension Expense	\$ 394,813	\$	477,719	\$	872,532

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

NOTE 11 – DEFINED BENEFIT PENSION PLANS – continued

At December 31, 2015, 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>			
Net differences between projected and actual investment earnings	\$ 193,662	\$ 211,074	\$ 404,736
City contributions subsequent to the measurement date	424,922	391,879	816,801
	\$ 618,584	\$ 602,953	\$ 1,221,537
 <u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 63,764	\$ -	\$ 63,764

\$816,801 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2016	\$ 18,994	\$ 52,768	\$ 71,762
2017	18,994	52,768	71,762
2018	43,492	52,769	96,261
2019	48,418	52,769	101,187
	\$ 129,898	\$ 211,074	\$ 340,972

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, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

NOTE 11 – DEFINED BENEFIT PENSION PLANS – *continued*

Wage inflation	3.75%
Future salary increases, including inflation	4.25% to 10.05%, including wage inflation
COLA or Ad Hoc COLA	3%, simple
Investment rate of return	8%
Actuarial cost method	Individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined health female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disabled female mortality rates were used set forward two years. For females, 100% of the disabled female mortality rates were used.

The most recent experience study was completed for the five-year period ended December 31, 2010.

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.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. 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 money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95% for 2014.

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 2014 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00%	2.31%
Domestic Equities	19.90%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	19.10%	7.40%
Other Investments	<u>18.00%</u>	<u>4.59%</u>
Total	<u>100.00%</u>	<u>5.28%</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

NOTE 11 – DEFINED BENEFIT PENSION PLANS – continued

Discount Rate. The discount rate used to measure the total pension liability was 8%. 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 8%, 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 (7%) and one-percentage point higher (9%) 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	\$ 6,677,401	\$ 3,629,552	\$ 1,062,594

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, 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 determine 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation date	January 1, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8.25%
Projected salary increases	4.25% to 11.00%
Payroll increases	3.75%
Inflation assumptions	3.25%
Cost of living adjustments	2.60% and 3.00%

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

NOTE 11 – DEFINED BENEFIT PENSION PLANS – *continued*

The most recent experience study was completed January 1, 2012.

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, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and cash equivalents	-%	(0.25)%
Domestic equity	16.00%	4.47%
Non-US equity	16.00%	4.47%
Core fixed income*	20.00%	1.62%
Global inflation protected*	20.00%	1.33%
High yield	15.00%	3.39%
Real estate	12.00%	3.93%
Private markets	8.00%	6.98%
Timber	5.00%	4.92%
Master limited partnerships	<u>8.00%</u>	7.03%
Total	<u>120.00%</u>	

* 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 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate. The total pension liability was calculated using the discount rate of 8.25%. 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 8.25%. 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, 2015

NOTE 11 – 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 8.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (7.25%) or one-percentage point higher (9.25%) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate of 8.25%	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 6,773,860	\$ 4,897,411	\$ 3,308,629

NOTE 12 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

OPERS maintains two cost-sharing multiple employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 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 45. Please see the Plan Statement in the OPERS 2014 CAFR.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, state and local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members’ contributions do not fund health care.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

NOTE 12 - POSTEMPLOYMENT BENEFITS – *continued*

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees 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 Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The 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 to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

Actual employer contributions for 2015, 2014 and 2013 which were used to fund post-employment benefits were approximately \$72,000, \$75,000 and \$38,000, respectively.

Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or on OP&F's website at www.op-f.org.

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% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% 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. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

NOTE 12 - POSTEMPLOYMENT BENEFITS – *continued*

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. The portion of employer contributions allocated to health care was 0.5% of covered payroll throughout 2015. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is 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 actual contributions for 2015, 2014 and 2013 that were used to fund post-employment benefits were approximately \$6,000, \$6,000 and \$33,000, respectively for police, and \$4,000, \$4,000 and \$49,000, respectively for fire.

NOTE 13 - OTHER EMPLOYEE BENEFITS

Compensated Absences

In accordance with Governmental Accounting Standards Board (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.

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, July 1, 1992 for firefighters, and April 12, 1991 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 after March 1, 1992 for police officers, July 1, 1992 for firefighters, and April 12, 1991 for all other employees who have sick leave accumulated receives payment upon retirement at a rate of one hour for each four 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 thirty years with local government employment as well as other employees who are expected to become eligible in the future to receive such payments.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

NOTE 13 - OTHER EMPLOYEE BENEFITS – *continued*

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 14 - 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 2015, 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 15 - 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.

NOTE 16 - 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.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

NOTE 17 - FUND DEFICITS

At December 31, 2015, the City had deficits in the following funds:

Nonmajor Governmental Funds:	
Income Tax Levy Fund	\$ 10,923
Court Special Project Fund	<u>84,839</u>
	<u>\$ 95,762</u>

These deficits are due to accruals recorded for notes payable and accrued salaries. The General Fund provides transfers to cover fund deficit balances; however, this is done when cash is needed and not when accruals occur.

NOTE 18 - 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	\$ 39,997
Nonmajor Governmental Funds	<u>98,199</u>
	<u>\$ 138,196</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

NOTE 19 - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned 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:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable</i>				
Prepays	\$ 24,645	\$ -	\$ 2,905	\$ 27,550
Inventory	-	-	60,392	60,392
<i>Total Nonspendable</i>	<u>24,645</u>	<u>-</u>	<u>63,297</u>	<u>87,942</u>
<i>Restricted for</i>				
Police	-	-	42,072	42,072
Fire	-	-	13,372	13,372
Streets	-	-	396,424	396,424
Cemetery	-	-	328,864	328,864
Community development	-	-	40,938	40,938
Municipal court	-	-	148,000	148,000
Debt service	-	148,086	816,669	964,755
Capital projects	-	585,193	448,649	1,033,842
Other purposes	-	-	82,130	82,130
<i>Total Restricted</i>	<u>-</u>	<u>733,279</u>	<u>2,317,118</u>	<u>3,050,397</u>
<i>Committed to</i>				
Bridge maintenance	-	-	67,665	67,665
<i>Total Committed</i>	<u>-</u>	<u>-</u>	<u>67,665</u>	<u>67,665</u>
<i>Assigned to</i>				
Budget resource	272,001	-	-	272,001
Economic development	209	-	-	209
<i>Total Assigned</i>	<u>272,210</u>	<u>-</u>	<u>-</u>	<u>272,210</u>
<i>Unassigned (Deficit)</i>	<u>716,631</u>	<u>-</u>	<u>(95,762)</u>	<u>620,869</u>
<i>Total Fund Balance</i>	<u>\$ 1,013,486</u>	<u>\$ 733,279</u>	<u>\$ 2,352,318</u>	<u>\$ 4,099,083</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

NOTE 20 – SUBSEQUENT EVENTS

During 2015, the City passed a 0.5% income tax increase, raising the rate from 1.45% to 1.95%, effective for a period of 20 years beginning on January 1, 2016. The additional 0.5% will be used for maintaining and operating cemeteries; maintaining fire protection, police protection, detention facilities and emergency medical services; general construction, reconstruction, resurfacing and repairing streets, roads and bridges; and economic development.

In May 2016, the City issued \$8,400,000 in Limited Tax General Obligation Various Purpose Refunding Bonds to advance refund the Series 2007 Various Purpose General Obligation Bonds. The City will receive an economic gain (difference between the present values of the debt service payments on the old and new bonds) of \$867,867.

NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT

For 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statement No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense.

Additionally, the City restated beginning net position in the Water and Sewer Funds to correct the misposting of receipts in prior years.

The implementation of this pronouncement and the correction of receipt postings had the following effect on net position as reported December 31, 2014:

	Water	Sewer
Net Position at December 31, 2014	\$ 10,182,242	\$ 15,754,520
Adjustments:		
Net Pension Liability	(643,356)	(661,890)
Deferred Outflows - Payments Subsequent to Measurement Date	80,290	82,603
Correction of receipts misposting	(687,798)	687,798
Restated Net Position at December 31, 2014	\$ 8,931,378	\$ 15,863,031

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2015

NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT – *continued*

	Governmental Activities	Business-Type Activities
Net Position at December 31, 2014	\$ 10,555,740	\$ 25,936,901
Adjustments:		
Net Pension Liability	(6,846,576)	(1,305,246)
Deferred Outflows - Payments Subsequent to Measurement Date	675,470	162,893
Restated Net Position at December 31, 2014	\$ 4,384,634	\$ 24,794,548

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

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 Two Measurement Periods (1)

	<u>2014</u>	<u>2013</u>
City's Proportion of the Net Pension Liability:	0.030093%	0.030093%
City's Proportionate Share of the Net Pension Liability	\$ 3,629,552	\$ 3,547,573
City's Covered-Employee Payroll	\$ 3,689,433	\$ 3,422,747
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	98.38%	103.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

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 Two Measurement Periods (1)

	<u>2014</u>	<u>2013</u>
City's Proportion of the Net Pension Liability	0.094537%	0.094537%
City's Proportionate Share of the Net Pension Liability	\$ 4,897,411	\$ 4,604,249
City's Covered-Employee Payroll	\$ 1,943,178	\$ 2,485,902
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	252.03%	185.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%

(1) Information prior to 2013 is not available.

CITY OF WASHINGTON COURT HOUSE, OHIO

Required Supplementary Information

Schedule of City Contributions

Ohio Public Employees Retirement System - Traditional Pension Plan

Last Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 424,922	\$ 442,732	\$ 444,957
Contributions in Relation to the Contractually Required Contributions	<u>\$ (424,922)</u>	<u>\$ (442,732)</u>	<u>\$ (444,957)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered-Employee Payroll	\$ 3,541,017	\$ 3,689,433	\$ 3,422,747
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%

(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 Contributions
Ohio Police and Fire Pension Fund
Last Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 391,879	\$ 395,631	\$ 424,592
Contributions in Relation to the Contractually Required Contributions	<u>\$ (391,879)</u>	<u>\$ (395,631)</u>	<u>\$ (424,592)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered-Employee Payroll	\$ 1,950,617	\$ 1,943,178	\$ 2,485,902
Contributions as a Percentage of Covered-Employee Payroll	20.09%	20.36%	17.08%

(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.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Washington Court House
Fayette County
105 N. Main Street
Washington C.H., Ohio 43160

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Washington Court House, Fayette County, (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 2, 2016 wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

December 2, 2016



Dave Yost • Auditor of State

CITY OF WASHINGTON COURT HOUSE

FAYETTE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 15, 2016**