CITY OF GERMANTOWN

Basic Financial Statements – Modified Cash Basis
December 31, 2015

PLATTENBURG
Certified Public Accountants

Dave Yost • Auditor of State

Board of Trustees
City of Germantown
75 North Walnut Street
Germantown, Ohio 45327

We have reviewed the *Independent Auditor's Report* of the City of Germantown, Montgomery County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Germantown is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

October 16, 2017

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INDEPENDENT AUDITOR'S REPORT

City of Germantown
Montgomery County
75 North Walnut Street
Germantown, Ohio 45327

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Germantown (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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 about the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statements 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 to opine on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of significant accounting estimates, as well as our evaluation the overall financial statement presentation.

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2015, and the respective changes in modified cash financial position for the year then ended in accordance with the accounting basis described in Note 2.

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Accounting Basis

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2017, 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Dayton, Ohio
July 27, 2017

City of Germantown, Ohio
Statement of Net Position - Modified Cash Basis
December 31, 2015

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	$4,061,898	$1,189,421	$5,251,319
Total Assets	4,061,898	1,189,421	5,251,319
Net Position:			
Restricted for:			
Senior Citizen	187,311	0	187,311
Street Improvements	168,376	0	168,376
Motor Vehicle License and Permissive Taxes	208,339	0	208,339
Street Lights	101,010	0	101,010
Emergency Medical Services	697,800	0	697,800
Fire Services	762,713	0	762,713
Capital Projects	861,763	0	861,763
Permanent Fund	25,618	0	25,618
Other Purposes	110,717	0	110,717
Unrestricted	938,251	1,189,421	2,127,672
Total Net Position	$4,061,898	$1,189,421	$5,251,319

See accompanying notes to the basic financial statements.

City of Germantown, Ohio
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended December 31, 2015

		Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	$491,209	$31,969	$2,160	$0	($457,080)	$0	($457,080)
Public Safety	1,971,027	161,091	876,193	0	(933,743)	0	(933,743)
Community Environment	73,574	33,058	0	0	(40,516)	0	(40,516)
Recreation	0	7,000	0	0	7,000	0	7,000
Transportation	375,283	97,186	354,104	0	76,007	0	76,007
Capital Outlay	389,190	0	0	0	(389,190)	0	(389,190)
Debt Service:							
Principal	313,340	0	0	0	(313,340)	0	(313,340)
Interest and Other Charges	48,366	0	0	0	(48,366)	0	(48,366)
Total Governmental Activities	3,661,989	330,304	1,232,457	0	(2,099,228)	0	(2,099,228)
Business-Type Activities:							
Water	592,406	583,699	0	0	0	(8,707)	(8,707)
Sewer	1,030,865	850,226	0	154,975	0	(25,664)	(25,664)
Refuse	453,992	491,247	0	0	0	37,255	37,255
Stormwater	61,559	53,956	0	0	0	(7,603)	(7,603)
Swimming Pool	81,574	54,850	25,000	25,000	0	23,276	23,276
Recreation	90,213	4,400	75,000	0	0	(10,813)	(10,813)
Total Business-Type Activities	2,310,609	2,038,378	100,000	179,975	0	7,744	7,744
Totals	$5,972,598	$2,368,682	$1,332,457	$179,975	(2,099,228)	7,744	(2,091,484)
General Receipts:							
Income Taxes					1,133,659	0	1,133,659
Property Taxes Levied for:							
General Purposes					275,349	0	275,349
Special Revenue Purposes					265,193	0	265,193
Grants and Entitlements, Not Restricted					124,843	0	124,843
Payments in Lieu of Taxes					303,282	0	303,282
Investment Earnings					35,337	0	35,337
Other Receipts					124,942	16,919	141,861
Total General Receipts					2,262,605	16,919	2,279,524
Change in Net Position					163,377	24,663	188,040
Net Position - Beginning of Year					3,898,521	1,164,758	5,063,279
Net Position - End of Year					$4,061,898	$1,189,421	$5,251,319

See accompanying notes to the basic financial statements.

City of Germantown, Ohio
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
December 31, 2015

	General	Emergency Medical Services	Fire Services	EMS Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Investments	$938,251	$697,800	$762,713	$525,883	$1,137,251	$4,061,898
Total Assets	938,251	697,800	762,713	525,883	1,137,251	4,061,898
Fund Balances:						
Nonspendable	5,319	0	0	0	25,618	30,937
Restricted	0	697,800	762,713	525,883	1,111,633	3,098,029
Assigned	111,732	0	0	0	0	111,732
Unassigned	821,200	0	0	0	0	821,200
Total Fund Balances	$938,251	$697,800	$762,713	$525,883	$1,137,251	$4,061,898

See accompanying notes to the basic financial statements.

City of Germantown, Ohio
Statement of Receipts, Disbursements
and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Fiscal Year Ended December 31, 2015

	General	Emergency Medical Services	Fire Services	EMS Capital Improvement	Other Governmental Funds	Total Governmental Funds
Receipts:						
Property Taxes	$275,349	$0	$0	$0	$265,193	$540,542
Income Taxes	1,133,659	0	0	0	0	1,133,659
Charges for Services	0	155,327	0	0	2,210	157,537
Investment Earnings	35,318	0	0	0	19	35,337
Intergovernmental	124,843	328,750	347,000	0	556,707	1,357,300
Special Assessments	0	0	0	0	94,412	94,412
Fines, Licenses & Permits	64,967	0	0	0	13,388	78,355
Payments in Lieu of Taxes	0	0	0	0	303,282	303,282
Other Receipts	69,250	14,389	1,873	0	39,430	124,942
Total Receipts	1,703,386	498,466	348,873	0	1,274,641	3,825,366
Disbursements:						
Current:						
General Government	490,960	0	0	0	249	491,209
Public Safety	1,020,582	311,801	195,964	0	442,680	1,971,027
Community Environment	73,574	0	0	0	0	73,574
Transportation	0	0	0	0	375,283	375,283
Capital Outlay	0	0	0	0	389,190	389,190
Debt Service:						
Principal	43,340	0	0	0	270,000	313,340
Interest and Other Charges	22,694	0	0	0	25,672	48,366
Total Disbursements	1,651,150	311,801	195,964	0	1,503,074	3,661,989
Excess of Receipts Over (Under) Disbursements	52,236	186,665	152,909	0	(228,433)	163,377
Other Financing Sources (Uses):						
Transfers In	270	0	0	325,883	176,244	502,397
Transfers (Out)	(76,244)	(325,883)	(100,000)	0	(270)	(502,397)
Total Other Financing Sources (Uses)	(75,974)	(325,883)	(100,000)	325,883	175,974	0
Net Change in Fund Balance	(23,738)	(139,218)	52,909	325,883	(52,459)	163,377
Fund Balance - Beginning of Year	961,989	837,018	709,804	200,000	1,189,710	3,898,521
Fund Balance - End of Year	$938,251	$697,800	$762,713	$525,883	$1,137,251	$4,061,898

See accompanying notes to the basic financial statements.

City of Germantown, Ohio
Statement of Fund Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2015

	Business-Type Activities -Enterprise Funds				
	Water	Sewer	Refuse	Other Enterprise Funds	Total Business-Type Activities
Assets:					
Equity in Pooled Cash and Investments	$460,448	$519,914	$49,106	$159,953	$1,189,421
Total Assets	460,448	519,914	49,106	159,953	1,189,421
Net Position:					
Unrestricted	460,448	519,914	49,106	159,953	1,189,421
Total Net Position	$460,448	$519,914	$49,106	$159,953	$1,189,421

See accompanying notes to the basic financial statements.

City of Germantown, Ohio
Statement of Receipts, Disbursements
and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Fiscal Year Ended December 31, 2015

	Business-Type Activities -Enterprise Funds				
	Water	Sewer	Refuse	Other Enterprise Funds	Total Business-Type Activities
Operating Receipts:					
Charges for Services	$583,699	$850,226	$491,247	$113,206	$2,038,378
Other Receipts	10,914	75	0	5,930	16,919
Total Operating Receipts	594,613	850,301	491,247	119,136	2,055,297
Operating Expenses:					
Personal Services	119,183	118,598	12,512	98,862	349,155
Contractual Services	116,930	568,212	353,479	49,408	1,088,029
Materials and Supplies	35,231	10,684	88,001	35,514	169,430
Other Expense	0	0	0	309	309
Total Operating Expenses	271,344	697,494	453,992	184,093	1,606,923
Operating Income (Loss)	323,269	152,807	37,255	(64,957)	448,374
Non-Operating Receipts (Expenses):					
Capital Outlay	(3,250)	(158,225)	0	(26,105)	(187,580)
Principal Retirement	(251,025)	(114,215)	0	(19,250)	(384,490)
Interest and Other Fiscal Charges	(66,787)	(60,931)	0	(3,898)	(131,616)
Operating Grants	0	0	0	100,000	100,000
Total Non-Operating Receipts (Expenses)	(321,062)	(333,371)	0	50,747	(603,686)
Income (Loss) Before Capital Grants and Contributions	2,207	(180,564)	37,255	(14,210)	(155,312)
Capital Grants and Contributions	0	154,975	0	25,000	179,975
Change in Net Position	2,207	(25,589)	37,255	10,790	24,663
Net Position - Beginning of Year	458,241	545,503	11,851	149,163	1,164,758
Net Position - End of Year	$460,448	$519,914	$49,106	$159,953	$1,189,421

See accompanying notes to the basic financial statements.

Note 1 – Description of the Entity

Description of the Entity

The City of Germantown, Montgomery County, (the City) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Pursuant to the provisions of Article XVIII of the Constitution of Ohio, the voters of the City adopted a charter for the government of the City in 2010. The form of government provided in the charter is known as the Mayor-Council-Manager. Council is made up of seven members elected by the qualified voters of the City at large; six are council members elected and one is separately elected Mayor. Council appoints a City Manager who is responsible to Council for the administration of all City affairs. The City provides water and sewer utilities, refuse services, park operations, pool operations, police, fire and emergency medical services.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City, this includes general operations, water, sewer, refuse, recreation, police, fire and emergency medical services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City, in that the City approves the budget, the issuance of debt, or the levying of taxes. Based on this criterion, the City has no discretely presented component unit in the basic financial statements.

The City participates in the Public Entities Pool of Ohio (PEP). Pep is a public entity risk pool, which operates as a jointly governed organization. PEP provides property and casualty coverage for its members. Note 9 to the financial statements provide additional information regarding PEP.

Note 2 – Summary of Significant Accounting Policies

These financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles general accepted in the United States of America (GAAP). Generally accepted accounting principles include all the relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting.

Ohio Administrative Code, Section 117-2-03 (B), requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepared its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City

Fund Accounting

The City uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain City functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the City are grouped into the category governmental.

Governmental Funds

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

The following are the City's major governmental funds:

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

Emergency Medical Services – To account for the activities of the Emergency Medical Services Department of the City.

Fire Services – To account for the activities of the Fire Department of the City.

EMS Capital Improvement – To accumulate for capital purchases for the City's EMS Capital Improvement capital projects fund.

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

Proprietary Funds

Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City does not have an internal service fund.

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 provision of water treatment and distribution to the residents and commercial users of the water system.

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

Refuse Fund - The refuse fund accounts for the provision of refuse service to the residents and commercial users located within the City.

Basis of Presentation

Government-wide Financial Statements

The statement of net position - modified cash basis and the statement of activities - modified cash basis display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the City's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts 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. Receipts which are not classified as program receipts are presented as general receipts of the City. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the modified cash basis or draws from the general receipts of the City.

Fund Financial Statements

The fund financial statements report more detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Fund statements present each major fund in a separate column and aggregate non-major funds in a single column. Fiduciary funds are reported by fund type.

Equity in Pooled Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the basic financial statements.

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

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts during the fiscal year amounted to $35,318 credited to the general fund and $19 to the permanent fund.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund, department, and object level for all funds.

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

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

Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is and the major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the modified cash basis are as follows:

1. Outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (modified cash basis).

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the modified cash basis are as follows:

	General	Emergency Medical Services	Fire Services
Modified Cash Basis	($23,738)	($139,218)	$52,909
Encumbrances	(20,056)	(50)	(50)
Budget Basis	($43,794)	($139,268)	$52,859

Inventory and Prepaid Items

The City reports disbursements for inventory and prepaid items when paid. These items are not reflected in the accompanying financial statements under the modified cash basis of accounting.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected in the accompanying financial statements under the modified cash basis of accounting.

Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the modified cash basis of accounting used by the City.

Interfund Activity

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services and improve assets. Operating subsidies are recorded as operating transfers. The classification of amounts recorded as subsidies, advances or equity contributions is based on the intent of the City at the time of the transaction.

Employer Contributions to Cost-Sharing Plans

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

Fund Balance

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

> Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
>
> Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation (City ordinances).
>
> Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal

enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute.

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

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

Pensions

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

Net Position

Net position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The City first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position are available.

Note 3 – Equity in Pooled Cash and Investments

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 policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of December 31, 2015, $2,112,167 of the City's bank balance of $2,817,469 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of December 31, 2015, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Money Market Funds	$7,828	0.00
Negotiable CDs	2,462,234	2.38
Total Fair Value	$2,470,062	
Portfolio Weighted Average Maturity		2.37

Interest Rate Risk - In accordance with the investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years, unless matched to a specified obligation or debt of the City.

Credit Risk – It is the City's policy to limit its investments that are obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The City's investments in money market funds and negotiable certificates of deposit were not rated by Standard and Poor's.

Concentration of Credit Risk – The City's investment policy allows investments in Federal Government Securities or Instrumentalities. The City has invested 99.7% in negotiable certificates of deposit and 0.3% of the City's investments in money market funds.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the City's securities are either insured and registered in the name of the City, or at least registered in the name of the City.

Note 4 – Property Tax

Property taxes include amounts levied against all real and public utility property located in the City. Property tax receipts 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 2016.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes, which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

Real Property	$93,146,190
Public Utility Personal Property	1,554,400
Total Valuation	$94,700,590

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

Note 5 – Local Income Tax

The City levies a municipal income tax of 1.25% percent on substantially all earned income arising from employment, residency, or business activities within the City as well as certain income of residents earned outside of the City.

Employers within the City withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Long-Term Debt

Long-term debt outstanding at December 31, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
OPWC Debt:					
CD08J - East Market Street Phase 1	$23,842	$0	($6,812)	$17,030	$6,812
CD02J - North Walnut Street Improvement	12,893	0	(5,157)	7,736	5,158
CD04J - Cherry Street Improvement Phase 1	25,878	0	(7,394)	18,484	7,394
CD06J - Cherry Street Improvement Phase 2	29,997	0	(8,570)	21,427	8,571
CD09P - Cherry Street Improvement Phase 3	200,797	0	(6,924)	193,873	6,924
CD02L - Dayton Pike Resurfacing	36,821	0	(8,182)	28,639	8,183
CD14L - Dayton Pike Water Storage Tower	1,247,483	0	(73,381)	1,174,102	73,381
CD11Q - Sanitary Sewer Rehab Phase 1	91,445	0	(3,048)	88,397	3,048
CD22Q - West Market Street Phase 1	724,457	0	(25,419)	699,038	25,419
CT08F - Water Booster Station	77,973	0	(6,695)	71,278	6,812
CT08D - Hillcrest Sewer System	58,801	0	(6,248)	52,553	6,342
Total OPWC Debt	2,530,387	0	(157,830)	2,372,557	158,044
Other Long-Term Debt:					
Municipal Building Rehabilitation Bonds	535,000	0	(30,000)	505,000	35,000
Hickory Pointe Project - Public Infrastructure	555,000	0	(270,000)	285,000	285,000
St Rt 4 / Hickory Pointe	345,000	0	(20,000)	325,000	20,000
Dry Run Sewer Improvement Bonds	720,000	0	(40,000)	680,000	45,000
Cherry Street Improvements	185,000	0	(10,000)	175,000	10,000
Water Meters	415,000	0	(25,000)	390,000	25,000
East Market Street Water and Sewer	590,000	0	(35,000)	555,000	35,000
West Market Street Imp Phase I	460,000	0	(25,000)	435,000	25,000
Water Chemical Feed Building / Silt Removal	235,000	0	(15,000)	220,000	15,000
Engineering Water and Sewer	200,000	0	(10,000)	190,000	10,000
Mortgage Revenue Water Bond	570,000	0	(60,000)	510,000	63,000
Total Other Long-Term Debt	4,810,000	0	(540,000)	4,270,000	568,000
Total Long-Term Debt	$7,340,387	$0	($697,830)	$6,642,557	$726,044

Outstanding OPWC noted (Project #CD08J) consist of a loan to fund the East Market Street Hill Phase I Project. The debt will be repaid from revenues of the City's water fund.

Outstanding OPWC notes (Project #CD02J) consist of a loan to fund the North Walnut Street Reconstruction Project. The debt will be repaid from revenues of the City's general fund.

Outstanding OPWC notes (Project #CD04J) consist of a loan to fund the Cherry Street Phase I Project. The debt will be repaid from revenues of the City's water fund.

Outstanding OPWC notes (Project #CD06J) consist of a loan to fund the Cherry Street Phase II Project. The debt will be repaid from revenues of the City's sewer fund.

Outstanding OPWC notes (Project #CD09P) consist of a loan to fund the Cherry Street Phase III Project. The debt will be repaid from revenues of the City's water fund.

Outstanding OPWC notes (Project #CD02L) consist of a loan to fund the Dayton Pike Resurfacing Project. The debt will be repaid from revenues of the City's general fund.

Outstanding OPWC notes (Project #CD14L) consist of a loan to fund the Dayton Pike Water Storage Tank Project. The debt will be repaid from revenues of the City's water fund.

Outstanding OPWC notes (Project #CD11Q) consist of a loan to fund the Sanitary Sewer Rehabilitation Phase I Project. The debt will be repaid from revenues of the City's sewer system.

Outstanding OPWC notes (Project #CD22Q) consist of a loan to fund the West Market Street Phase I Project. The debt will be repaid from revenues of the City's water system.

Outstanding OPWC notes (Project #CT08F) consist of a loan to fund the Water Booster Station Improvements. The debt will be repaid from revenues of the City's water system.

Outstanding OPWC notes (Project #CT08D) consist of a loan to fund the Hillcrest Drive Sewer Improvement. The debt will be repaid from revenues of the City's sewer system.

All OPWC notes are interest free, except for Project #CT08F and Project #CT08D, which are 1% interest.

Municipal Building Bonds consist of bonds issued for the purpose of constructing a new municipal building. General Obligations are direct obligations of the City for which the City's full faith and credit are pledged and are payable from taxes levied on all taxable property in the City.

Outstanding General Obligation Bonds consist of various issues to fund construction projects and various improvements. General Obligations are direct obligations of the City for which the City's full faith and credit are pledged and are payable from taxes levied on all taxable property in the City.

Outstanding Mortgage Revenue Bonds are for the improvement of the water system for the City. Property and revenue of the City's water system has been pledged to repay this debt.

The outstanding Sanitary Sewer Improvement Bonds were partially refunded. The remaining Bonds and the 2007 Advance Refunding Bonds are for the improvement of the sewer system for the City. Property and revenue of the City's sewer system has been pledged to repay this debt.

The Sanitary Sewer Improvement Bond is for the improvement of the sewer system for the City. Property and revenue of the City's sewer system has been pledged to repay this debt.

The Northeast Waterline Improvement Bond is for the improvement of the water system for the City. Property and revenue of the City's water system has been pledged to repay this debt.

Amortization of the above debt, including interest, is scheduled as follows:

	Other Long-Term Debt		Mortgage Revenue Bonds		OPWC Loans	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2016	$505,000	$141,147	$63,000	$25,500	$158,044	$1,205
2017	225,000	119,850	66,000	22,350	155,595	1,073
2018	235,000	111,532	69,000	19,050	141,762	941
2019	245,000	102,833	72,000	15,600	126,417	806
2020	265,000	93,755	76,000	12,000	122,461	670
2021-2025	1,425,000	318,289	164,000	12,400	600,591	1,368
2026-2030	860,000	57,507	0	0	543,865	0
2031-2035	0	0	0	0	250,342	0
2036-2040	0	0	0	0	176,961	0
2041-2044	0	0	0	0	96,519	0
	$3,760,000	$944,913	$510,000	$106,900	$2,372,557	$6,063

Note 7 – Defined Benefit Pension Plans

Net Pension Liability - Description

For 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported December 31, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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 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 the net pension liability would be effective when the changes are legally enforceable.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group.

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The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

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 years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	**Public Safety**	**Public Safety**
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	**Law Enforcement**	**Law Enforcement**
Age and Service Requirements: Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	**Public Safety and Law Enforcement**	**Public Safety and Law Enforcement**
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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 percent 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 percent.

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

	State and Local	Public Safety	Law Enforcement
2015 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2015 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0	2.0
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.
** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution for OPERS was $120,987 for year 2015.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

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

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

For members hired after July 1, 2013, the minimum retirement age is 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 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 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 three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on 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 three percent of their base pension or disability benefit.

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

	Police	Firefighters
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	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 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was $117,289 for 2015.

Net Pension Liability

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. OPF'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:

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability	$675,302	$1,421,967	$2,097,269
Proportion of the Net Pension Liability	0.0055990%	0.0274489%	

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:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
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 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

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 percent 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:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
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	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate

The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	$1,242,362	$675,302	$197,701

Actuarial Assumptions – OPF

OPF'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 OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations 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 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

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.

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 averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
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	8.00	7.03
Total	120.00 %	

* levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on 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 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	$1,966,796	$1,421,967	$960,663

Note 8 – Post Employment Benefits

Ohio Public Employees Retirement System

Plan Description

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.
In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377, or by visiting the OPERS website at www.opers.org.

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, the City contributed at 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post-employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code section 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care. 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. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0% for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees 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.

Information from City's Records

The rates stated in Funding Policy, above, are the contractually required contribution rates for OPERS. The City's actual contributions for the current year, which were used to fund postemployment benefits, were $17,284 for 2015, $16,288 for 2014, and $8,079 for 2013. The full amount has been contributed for 2015, 2014 and 2013.

OPERS Board of Trustees Adopt Changes to the Health Care Plan

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

Ohio Police and Fire Pension Fund

Plan Description

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost sharing, multiple-employer defined post-employment healthcare 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 healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The healthcare 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 healthcare 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 by visiting the OP&F website at www.op-f.org.

Funding Policy

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of the covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under 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.

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 Section 401(h) account as the employer contribution for retiree healthcare benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2014 thru December 31, 2014 (latest information available). For the year ended December 31, 2014, the employer contribution allocated to the health care plan was 6.75% of covered payroll(latest information available). The amount of employer contributions allocated to the healthcare 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 healthcare 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.

Information from City's Records

The City's contributions to OP&F for the year ending December 31, 2015 was $2,850; and was $3,057 for year ending December 31, 2014; and was $18,030 for the year ending December 31, 2013, and were allocated to the healthcare plan. The actual contributions for 2015, 2014 and 2013 were 100%.

Note 9 – Risk Management

The City is exposed to various risks of property and casualty losses, and injuries to employees. The City insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance

services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. The PEP's Financial Data is presented below.

PEP Financial Data
As December 31, 2014 and 2013

Casualty & Property Coverage:

	2014	2013
Assets	$35,646,373	$34,411,883
Liabilities	(12,607,453)	(12,760,194)
Net Position – Unrestricted	$23,038,920	$21,651,689
# of members	480	475
Unpaid claims to be billed in the future	~$11.1 million	~$11.1 million

The Casualty Coverage assets and retained earnings above include approximately $11.1 million of unpaid claims to be billed to approximately 480 member governments in the future, as of December 31, 2014. PEP will collect these amounts in future annual contributions billings when PEP'S related liabilities are due for payment. The District's share of these unpaid claims is approximately $151,000.

The Pool uses reinsurance and excess risk-sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool; however, they do not discharge the Pool's primary liability for such payments. The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York Risk Pooling Services, Inc. (YORK). APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, the Pool retains insured risks up to an amount specified in the contracts. (At December 31, 2014 the Pool retained $350,000 for casualty claims and $100,000 for property claims). The Board of Directors and YORK periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain.

Note 10 – Contingent Liability

The City is not party to any legal proceedings.

Note 11 – Interfund Transfers

Transfer activity for the years ending December 31, 2015:

Fund	Transfer In	Transfer Out
Major Funds:		
General Fund	$270	($76,244)
Emergency Medical Services	0	(325,883)
Fire Services	0	(100,000)
EMS Capital Improvements	325,883	0
Other Governmental Funds	176,244	(270)
	$502,397	($502,397)

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfers out of the General Fund into Other Governmental Funds were made to provide additional resources for current operations and street (capital) improvements throughout the City. The transfers out of the Emergency Medical Services Fund and the Fire Services Fund into the EMS Capital Improvements Fund and Other Governmental Funds, respectively, were to provide additional resources for capital improvements.

The transfer into the General fund of $270 was to close out the Warren St. Construction Debt Service Fund (transfer out of $199) and to close out the State Route 4 Improvements Capital Projects Fund (transfer out of $71).

Note 12 – Fund Balances

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

Fund Balances	General	Emergency Medical Services	Fire Services	EMS Capital Improvements	Other Governmental Funds	Total
Nonspendable						
Unclaimed Monies	$5,319	$0	$0	$0	$0	$5,319
Permanent Endowment	0	0	0	0	25,618	25,618
Total Nonspendable	5,319	0	0	0	25,618	30,937
Restricted for:						
Emergency Medical Services	0	697,800	0	0	0	697,800
Fire Services	0	0	762,713	0	0	762,713
Drug Enforcement	0	0	0	0	12,781	12,781
Federal Law Enforcement	0	0	0	0	6,463	6,463
Senior Citizens	0	0	0	0	187,311	187,311
DUI Education and Enforceme	0	0	0	0	6,546	6,546
Street Improvements	0	0	0	0	168,376	168,376
State Highway	0	0	0	0	19,473	19,473
Motor Vehicle License Tax	0	0	0	0	129,729	129,729
Permissive Tax	0	0	0	0	78,610	78,610
Police Levy	0	0	0	0	60,274	60,274
Street Lights	0	0	0	0	101,010	101,010
Police Professional Training	0	0	0	0	5,180	5,180
Capital Improvements	0	0	0	525,883	328,184	854,067
TIF	0	0	0	0	7,696	7,696
Total Restricted	0	697,800	762,713	525,883	1,111,633	3,098,029
Assigned to:						
Encumbrances	20,056	0	0	0	0	20,056
Next Year's Budget	91,676	0	0	0	0	91,676
Total Assigned	111,732	0	0	0	0	111,732
Unassigned (Deficit)	821,200	0	0	0	0	821,200
Total Fund Balance	$938,251	$697,800	$762,713	$525,883	$1,137,251	$4,061,898

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CITY OF GERMANTOWN

Yellow Book Report
December 31, 2015

PLATTENBURG
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City of Germantown
Montgomery County
75 North Walnut Street
Germantown, Ohio 45327

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Germantown (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 July 27, 2017, wherein we noted the City presented financial statements on the modified cash basis of accounting rather than in accordance with accounting principles generally accepted in the United States of America, as disclosed in Note 2.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be material weaknesses. See 2015-001 and 2015-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2015-003 and 2015-004.

City’s Responses to Findings

The City’s responses to the findings identified in our audit are described in the accompanying schedule of findings. The City’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Dayton, Ohio
July 27, 2017

CITY OF GERMANTOWN
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015

Finding 2015-001 – Material Weakness

During the year, the City had a total of $19,312.27 in utility adjustments. City Council did not approve any utility adjustments during the audit period. Adjustments were approved verbally by the Municipal Manager.

Failure to obtain and document supervisory approval of adjustments increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

The City should develop specific, written procedures for requesting, posting, and approving customer utility account adjustments. All adjustments should be printed and signed by Council showing their approval of the adjustments at the monthly Council meetings. The City should maintain documentation supporting the reason for the adjustment and reflect supervisory approval prior to posting the adjustment to the utility system.

Periodically, an individual independent of the adjustment process should reconcile authorized adjustments to those posted to the utility system to verify only authorized adjustments were posted to the utility system.

City's Response:

The City will implement a process for approving utility adjustments.

Finding 2015–002 – Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The City did not accurately apply Governmental Accounting Standards Board (GASB) Statement Number 54 when classifying fund balances. These misclassifications are as follows:

EMS Capital Improvement Fund:
Ending Assigned Fund Balance was overstated by $525,883
Ending Restricted Balance was understated by $525,883

Other Governmental Funds:
Ending Assigned Fund Balance was overstated by $200,000
Ending Restricted Balance was understated by $200,000

Adjustments to correct the errors above are reflected in the financial statements and notes.

When fund balances are not accurately classified, City officials and management do not have accurate information as to the amount of fund balances that are restricted or assigned for specific purposes. The City should develop and implement procedures to ensure accurate accounting for year-end fund balances. The City should also review Auditor of State Bulletin 2011-004 for guidelines in classifying fund balances in accordance with GASB Statement Number 54.

City's Response:

The City will follow GASB #54 and AOS Bulletin 2011-004.

Finding 2015–003 – Noncompliance

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code 117-2-03 further clarifies the requirements of Ohio Rev. Code 117.38.

Ohio Admin. Code Section 117-2-03 (B) requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles accepted in the United States of America. The accompanying financial statements omit certain assets, liabilities, fund equities, and disclosure that, while material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City. As such, the City should prepare its annual financial report in accordance with generally accepted accounting principles.

City's Response:

The City evaluated the cost-benefit relationship of preparing GAAP statements versus modified cash financial statements for the year ended December 31, 2015, and determined that the significant cost of compliance exceeds the benefit received.

Finding 2015–004 – Noncompliance

Germantown Income Tax Ordinance § 181.05(a) states that each person 18 years of age or older who engages in business or other activity or whose income, salary, wage, commission or other compensation is subject to the tax imposed by this chapter, shall, whether or not a tax be due thereon, make and file a return on or before April 30 of the year following the effective date of this chapter, and on or before April 30 of each year thereafter.

We selected 15 residents with utility accounts (Water, Sewer and Sanitation) to verify that required tax returns had been filed. There was no indication that two of these residents filed their tax returns for 2015. Further, the City did not implement procedures to verify that all qualifying residents filed an income tax return pursuant to Ordinance Section 181.05(a).

Procedures, such as comparing the income tax returns received to the utility customer listing or state income tax listing should be implemented to verify that all residents file returns by the April deadline. Implementation of such procedures would help detect tax evasions and delinquencies and should increase the tax revenue for the City.

City's Response:

The City will implement procedures to verify that all qualifying residents file an income tax return pursuant to Ordinance Section 181.05(a).

Dave Yost • Auditor of State

CITY OF GERMANTOWN

MONTGOMERY 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
NOVEMBER 9, 2017

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www.ohioauditor.gov