



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF WASHINGTON COURT HOUSE
FAYETTE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2020

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OHIO AUDITOR OF STATE
KEITH FABER



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City Council
City of Washington Court House
105 N. Main Street
Washington Court House, OH 43160

We have reviewed the *Independent Auditor's Report* of the City of Washington Court House, Fayette County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2020 through December 31, 2020. 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 Washington Court House is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 27, 2021

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City of Washington Court House
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INDEPENDENT AUDITOR'S REPORT

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

Members of 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, 2020, 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 such 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, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Income Tax Levy Funds thereof for the year then ended in December 31, 2020 in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. 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 and other post-employment benefit liabilities and pension and other post-employment benefit 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 Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The 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 this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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, this information is 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 June 29, 2021, 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.

BHM CPA Group

BHM CPA Group, Inc.
Piketon, Ohio
June 29, 2021

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2020
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, 2020. 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, 2020 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 \$29,833,901.
- The City's total net position increased during the year by \$2,076,185, or 7%.
- Total unrestricted net position deficit of \$13,517,822 was primarily attributable to the City recognizing its proportionate share of net pension and OPEB liabilities under state-wide multiple employer retirement plans under GASB Statement Nos. 68 and 75.
- The City's total expenses were \$20,869,401, an increase of \$3,990,546.
- Program revenues of \$10,557,908 reduced the net cost of the City's functions to be financed from the City's general revenues to \$10,311,493.
- The City's unassigned fund balance of the General Fund totaled \$2,545,747 at year end, or 42% of General Fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

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

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

Government-Wide Financial Statements

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

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

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Table 1 provides a summary of the City's net position for 2020 compared to 2019:

	<u>Table 1</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Assets:						
Current and Other Assets	\$ 12,390,744	\$ 10,130,056	\$ 3,118,250	\$ 1,946,760	\$ 15,508,994	\$ 12,076,816
Capital Assets, Net	<u>11,783,775</u>	<u>12,422,208</u>	<u>62,739,917</u>	<u>35,697,234</u>	<u>74,523,692</u>	<u>48,119,442</u>
Total Assets	<u>24,174,519</u>	<u>22,552,264</u>	<u>65,858,167</u>	<u>37,643,994</u>	<u>90,032,686</u>	<u>60,196,258</u>
Deferred outflow of resources	<u>3,498,281</u>	<u>5,248,605</u>	<u>521,914</u>	<u>955,987</u>	<u>4,020,195</u>	<u>6,204,592</u>
Liabilities:						
Current and Other Liabilities	483,289	566,866	3,343,945	910,755	3,827,234	1,477,621
Long-Term Liabilities:						
Due Within One Year	1,233,152	1,194,520	697,005	793,959	1,930,157	1,988,479
Due in More than One Year:						
Net Pension Liability	9,955,646	12,506,633	1,866,296	2,686,648	11,821,942	15,193,281
Net OPEB Liability	3,340,187	3,087,065	1,242,344	1,210,691	4,582,531	4,297,756
Other Long-Term Amounts	<u>8,715,041</u>	<u>9,495,719</u>	<u>28,830,819</u>	<u>3,951,522</u>	<u>37,545,860</u>	<u>13,447,241</u>
Total Liabilities	<u>23,727,315</u>	<u>26,850,803</u>	<u>35,980,409</u>	<u>9,553,575</u>	<u>59,707,724</u>	<u>36,404,378</u>
Deferred inflow of resources	<u>3,923,428</u>	<u>2,197,956</u>	<u>587,828</u>	<u>40,800</u>	<u>4,511,256</u>	<u>2,238,756</u>
Net Position:						
Net investment in capital assets	3,602,393	3,361,861	33,459,237	31,280,156	37,061,630	34,642,017
Restricted	6,290,093	5,378,680	-	-	6,290,093	5,378,680
Unrestricted (deficit)	<u>(9,870,429)</u>	<u>(9,988,431)</u>	<u>(3,647,393)</u>	<u>(2,274,550)</u>	<u>(13,517,822)</u>	<u>(12,262,981)</u>
Total Net Position	<u>\$ 22,057</u>	<u>\$ (1,247,890)</u>	<u>\$ 29,811,844</u>	<u>\$ 29,005,606</u>	<u>\$ 29,833,901</u>	<u>\$ 27,757,716</u>

The net pension liability (NPL) is one of the largest liabilities reported by the City at December 31, 2020 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. Another significant liability reported by the City is related to other postemployment benefits (OPEB) and is reported pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

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

Total assets increased by \$29,836,428, or 50%. The majority of the increase occurred in capital assets, with the wastewater treatment plant project in progress during the year. Meanwhile, total liabilities increased by \$23,303,346, or 64%. The increase in current and other liabilities and long-term liabilities was driven by an increase in payables and drawdowns from an Ohio Water Development Authority (OWDA) loan for the ongoing wastewater treatment plant project. The increases were partially offset by a decrease in the net pension liability. The decrease is primarily attributable to increases in the pension systems' investment portfolios used to support pension liabilities. This also resulted in a corresponding increase in deferred inflows of resources, as the difference between projected and actual investment earnings are deferred and recognized over five years.

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 (\$37,061,630 of the total \$29,833,901) reflects its investments in capital assets (e.g., land, buildings, machinery and equipment, infrastructure) less any related debt used to acquire those assets that are still outstanding and related deferred outflows of resources. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position represents resources that are subject to restrictions on how they can be used. The remaining balance was a deficit of \$13,517,822 which is attributable to the recognition of the City's proportionate share of net pension and OPEB liabilities reported in accordance with under GASB Statement Nos. 68 and 75. If the net pension and OPEB liabilities and related deferrals were excluded, the unrestricted net position reported by the City would be a positive \$2,145,802. As the operation of the state-wide retirement systems are outside the control of the City and varies significantly from year to year based on the performance of investments, it's important to acknowledge the significant recognition of the net pension and OPEB liabilities has on the City's reported net position.

The City's total net position increased from \$27,757,716 in 2019 to \$29,833,901 in 2020, a change of \$2,076,185 or 7%.

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 2019 and 2020.

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

Table 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,376,304	\$ 1,519,583	\$ 5,905,761	\$ 5,851,631	\$ 7,282,065	\$ 7,371,214
Operating Grants/Contributions	2,493,289	266,185	5,274	50,084	2,498,563	316,269
Capital Grants/Contributions	777,280	807,237	-	-	777,280	807,237
General Revenues:						
Municipal Income Taxes	8,248,179	8,099,164	-	-	8,248,179	8,099,164
Property and Other Taxes	535,656	538,175	-	-	535,656	538,175
Payment in Lieu of Taxes	1,213,887	1,126,159	-	-	1,213,887	1,126,159
Intergovernmental	1,045,115	1,070,435	-	-	1,045,115	1,070,435
Investment Earnings	169,493	103,876	47,677	31,848	217,170	135,724
Other	847,432	390,757	280,239	121,135	1,127,671	511,892
Total Revenues	<u>16,706,635</u>	<u>13,921,571</u>	<u>6,238,951</u>	<u>6,054,698</u>	<u>22,945,586</u>	<u>19,976,269</u>
Program Expenses:						
Security of Persons & Property	6,096,097	1,312,873	-	-	6,096,097	1,312,873
Public Health Services	439,079	501,952	-	-	439,079	501,952
Leisure Time Activities	48,932	33,814	-	-	48,932	33,814
Community Environment	2,732,583	2,782,499	-	-	2,732,583	2,782,499
Transportation	1,407,473	1,774,524	-	-	1,407,473	1,774,524
General Government	4,424,148	4,239,294	-	-	4,424,148	4,239,294
Interest and Fiscal Charges	288,376	299,831	-	-	288,376	299,831
Water	-	-	2,559,959	2,668,586	2,559,959	2,668,586
Sewer	-	-	2,872,754	3,265,482	2,872,754	3,265,482
Total Expenses	<u>15,436,688</u>	<u>10,944,787</u>	<u>5,432,713</u>	<u>5,934,068</u>	<u>20,869,401</u>	<u>16,878,855</u>
Change in Net Position	1,269,947	2,976,784	806,238	120,630	2,076,185	3,097,414
Net Position, beginning of year	(1,247,890)	(4,224,674)	29,005,606	28,884,976	27,757,716	24,660,302
Net Position, end of year	<u>\$ 22,057</u>	<u>\$ (1,247,890)</u>	<u>\$ 29,811,844</u>	<u>\$ 29,005,606</u>	<u>\$ 29,833,901</u>	<u>\$ 27,757,716</u>

Governmental Activities

The most significant program expenses for the City are Security of Persons and Property, General Government, Transportation, and Community Environment. These programs account for 95% of the total governmental activities. Security of Persons and Property, which accounts for 39% 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 29% 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 9% of the total, represents costs associated with streets and their upkeep. Community Environment, which accounts for 18% of the total, represents costs associated with developing and improving the downtown.

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Funding for the most significant programs indicated is from income taxes, property taxes and payments in lieu of taxes, and intergovernmental. The income tax revenue for 2020 was \$8,248,179. Of the \$16,706,635 in total revenues, income tax accounts for 49% of that total. The property tax revenue and payments in lieu of property taxes for 2020 was \$1,749,543 or 10% of total revenues. The intergovernmental revenue for 2020 was \$1,045,115 or 6% of total revenue.

Total governmental activities revenue increased by approximately \$2.8 million, or 20%. This was primarily driven by receipt of federal CARES Act funding, to assist with mitigation efforts to slow the spread of the COVID-19 pandemic, and workers’ compensation rebates the State issued as additional funding sources for COVID-19 related expenses.

Total governmental activities’ expenses increased by approximately \$4.5 million, or 41%. This occurred primarily in security of persons and property expenses. The increase was due to a significant drop in the Ohio Police & Fire (OP&F) Retirement System’s net OPEB liability during 2019. OP&F changed from providing group-sponsored retiree health care insurance to a stipend model, where eligible retirees are provided a fixed monthly stipend for health care, significantly reducing the future OPEB liability. This change resulted in the City recognizing *negative* OPEB expense of \$4.1 million during 2019, compared to \$146,000 in OPEB expenses during 2020.

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 2020	Net Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2019
Security of persons and property	\$ 6,096,097	\$ 5,919,160	\$ 1,312,873	\$ 1,178,587
Public health services	439,079	335,801	501,952	404,617
Leisure time activities	48,932	48,932	33,814	33,814
Community environment	2,732,583	2,730,583	2,782,499	2,779,979
Transportation	1,407,473	619,135	1,774,524	968,967
General government	4,424,148	847,828	4,239,294	2,685,987
Interest on long-term debt	288,376	288,376	299,831	299,831
Total Expenses	<u>\$ 15,436,688</u>	<u>\$ 10,789,815</u>	<u>\$ 10,944,787</u>	<u>\$ 8,351,782</u>

It should be noted that only 30% of the costs of services for governmental activities are derived from program revenues including charges for services, operating grants, capital grants and other contributions. As shown by the total net costs of \$10,789,815, 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.

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

Business-Type Activities

The City's major business-type activities include water and sewer operations. The Water Fund's operating income for 2020 was \$413,831, an increase from the prior year of \$150,211. The Sewer Fund had operating income of \$362,870, an increase over prior year's operating loss by \$482,793. These funds were analyzed in more detail under Proprietary Funds section below.

Financial Analysis of the City's Funds

Governmental Funds

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

The General Fund is the chief operating fund. At the end of 2020, the total fund balance for the General Fund was \$3,024,781, of which \$2,545,747 was unassigned. During the current year, the fund balance of the City's General Fund increased by \$1,387,473, or by 85%. Total revenue increased by 8%, while total expenditures decreased by 14%. The biggest driver for the increase was due to receiving workers' compensation rebates, previously discussed. The decreases in expenditures is attributable to public safety and materials and supplies costs being paid from CARES Act funding, accounted for in a nonmajor special revenue fund.

The Income Tax Levy fund accounts for the majority of the collections from the 0.5% additional income tax rate that went into effect on January 1, 2016 (4% of the 0.5% income tax rate is dedicated for economic development and accounted for in a separate economic development fund). The Fund ended the year with a fund balance of \$401,306 to be used for public safety, cemetery operations and street infrastructure. The increase in fund balance was due certain expenditures also being paid from CARES Act funding and fewer cemetery and repairs and maintenance expenditures due to the uncertainty related to the COVID-19 pandemic.

The Permanent Improvement Fund experienced an increase in fund balance of 57% during the year due to lower project costs, as several projects were delayed due to uncertainty related to the COVID-19 pandemic.

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 \$433,855, or 4%. Net position in the Sewer Fund increased by \$372,383, or 2%. The increase in revenues was due to increase in rates. The decrease in expenses was due to lower pension expenses, as previously discussed, and for the Sewer Fund, lower sludge hauling expenses due to the wastewater treatment plant remodel.

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

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 \$7,173,055 and \$8,331,855, respectively, an increase of 17%, to account for CARES Act funding and workers' compensation rebates. Actual revenues were \$8,049,963, primarily due to lower than expected fines and forfeitures.

The original and final budgeted expenditures were \$7,561,065 and \$7,643,651, respectively, an increase of 1%. Actual expenditures were \$7,061,691, \$581,960 less than the final budget due to conservative budgeting.

Capital Assets and Debt Administration

The City's net investment in capital assets for governmental and business-type activities as of December 31, 2020, amounts to \$37,061,630 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress.

Total capital assets for governmental activities of the City of Washington Court House for the year 2020 were \$11,783,775, or \$638,433 lower than in 2019, primarily due to depreciation expense of \$1,054,218. The City completed the splash park during the year, as well as purchase several vehicles, public safety equipment and early warning signals.

The increase in capital assets for business-type activities of \$27,042,683 to \$62,739,917 as of December 31, 2020 was due to continued work on the new wastewater plan improvements, offset by 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, 2020, the City had \$37,134,152 (excluding premiums) in bonds, long-term notes, leases and loans outstanding, with \$1,572,859 due within one year. During 2020, the City continued to draw on its \$65.7 million loan with the OWDA for the wastewater treatment plant project.

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

Additional information concerning the City's debt can be found in Note 8 of the notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

Current Known Facts and Conditions

Despite the COVID-19 pandemic, the City's local economy has displayed resilient economic performance. Many of the larger private employers of the community are concentrated in food processing, pet food production, and distribution activities that experienced strong demand during the pandemic. Other industries and small businesses also performed surprisingly well, as they adapted to the pandemic conditions.

The negative economic impacts of the pandemic were mostly seen in personal service businesses (barbers, hairdressers, nail salons, massage and spas, pet groomers, etc.).

The local hospital also faced significant challenges, but federal aid helped avert disaster during 2020. In 2021, the hospital was sold to Adena Health. This is viewed as positive, since the hospital is a significant employer and utility customer and will remain a viable part of the healthcare system and local economy.

While the pandemic has continued on into 2021, the City is seeing strong demand for housing and labor and retail activity nearing pre-pandemic levels.

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, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 7,176,934	\$ 2,453,762	\$ 9,630,696
Cash in segregated accounts	31,470	-	31,470
Receivables:			
Property taxes	491,256	-	491,256
Income taxes	1,758,244	-	1,758,244
Payment in lieu of taxes	1,157,000	-	1,157,000
Accounts	451,992	756,290	1,208,282
Loans, net	71,252	-	71,252
Interest	39,986	-	39,986
Intergovernmental	606,274	-	606,274
Special assessments	120,170	114,432	234,602
Prepaid items	24,499	86,109	110,608
Supplies inventory	86,667	82,657	169,324
Internal balances	375,000	(375,000)	-
Nondepreciable capital assets	1,604,912	33,718,922	35,323,834
Depreciable capital assets, net	<u>10,178,863</u>	<u>29,020,995</u>	<u>39,199,858</u>
Total assets	<u>24,174,519</u>	<u>65,858,167</u>	<u>90,032,686</u>
Deferred Outflows of Resources			
Deferred charges on refunding	400,090	-	400,090
Pensions	1,872,549	308,826	2,181,375
OPEB	<u>1,225,642</u>	<u>213,088</u>	<u>1,438,730</u>
Total deferred outflows of resources	<u>3,498,281</u>	<u>521,914</u>	<u>4,020,195</u>
Liabilities			
Accounts payable	94,410	3,212,066	3,306,476
Accrued wages payable	216,547	92,736	309,283
Intergovernmental payable	124,321	30,634	154,955
Refundable advance	16,818	-	16,818
Accrued interest payable	31,193	8,509	39,702
Noncurrent liabilities:			
Due within one year	1,233,152	697,005	1,930,157
Due in more than one year:			
Net pension liability	9,955,646	1,866,296	11,821,942
Net OPEB liability	3,340,187	1,242,344	4,582,531
Other amounts due in more than one year	<u>8,715,041</u>	<u>28,830,819</u>	<u>37,545,860</u>
Total liabilities	<u>23,727,315</u>	<u>35,980,409</u>	<u>59,707,724</u>
Deferred Inflows of Resources			
Property taxes and payment in lieu taxes	1,632,000	-	1,632,000
Pensions	1,603,288	408,733	2,012,021
OPEB	<u>688,140</u>	<u>179,095</u>	<u>867,235</u>
Total deferred inflows of resources	<u>3,923,428</u>	<u>587,828</u>	<u>4,511,256</u>
Net Position			
Net investment in capital assets	3,602,393	33,459,237	37,061,630
Restricted for:			
Capital projects	2,311,370	-	2,311,370
Debt service	1,221,115	-	1,221,115
Cemetery operations	561,631	-	561,631
Public safety	725,965	-	725,965
Streets	860,100	-	860,100
Other purposes	609,912	-	609,912
Unrestricted (deficit)	<u>(9,870,429)</u>	<u>(3,647,393)</u>	<u>(13,517,822)</u>
Total net position	<u>\$ 22,057</u>	<u>\$ 29,811,844</u>	<u>\$ 29,833,901</u>

See accompanying notes.

CITY OF WASHINGTON COURT HOUSE, OHIO
Statement of Activities
Year Ended December 31, 2020

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Functions/Programs</u>							
Governmental activities:							
Security of persons and property	\$ 6,096,097	\$ -	\$ 175,137	\$ 1,800	\$ (5,919,160)	\$ -	\$ (5,919,160)
Public health services	439,079	103,278	-	-	(335,801)	-	(335,801)
Leisure time activities	48,932	-	-	-	(48,932)	-	(48,932)
Community environment	2,732,583	-	2,000	-	(2,730,583)	-	(2,730,583)
Transportation	1,407,473	20	12,838	775,480	(619,135)	-	(619,135)
General government	4,424,148	1,273,006	2,303,314	-	(847,828)	-	(847,828)
Interest on long-term debt	288,376	-	-	-	(288,376)	-	(288,376)
Total governmental activities	<u>15,436,688</u>	<u>1,376,304</u>	<u>2,493,289</u>	<u>777,280</u>	<u>(10,789,815)</u>	<u>-</u>	<u>(10,789,815)</u>
Business-type activities:							
Water	2,559,959	2,835,595	2,805	-	-	278,441	278,441
Sewer	2,872,754	3,070,166	2,469	-	-	199,881	199,881
Total business-type activities	<u>5,432,713</u>	<u>5,905,761</u>	<u>5,274</u>	<u>-</u>	<u>-</u>	<u>478,322</u>	<u>478,322</u>
Total	<u>\$ 20,869,401</u>	<u>\$ 7,282,065</u>	<u>\$ 2,498,563</u>	<u>\$ 777,280</u>	<u>(10,789,815)</u>	<u>478,322</u>	<u>(10,311,493)</u>
General revenues:							
Taxes:							
Income taxes					8,248,179	-	8,248,179
Property taxes					535,656	-	535,656
Payment in lieu of taxes					1,213,887	-	1,213,887
Intergovernmental					1,045,115	-	1,045,115
Investment earnings					169,493	47,677	217,170
Miscellaneous					847,432	280,239	1,127,671
Total general revenues					<u>12,059,762</u>	<u>327,916</u>	<u>12,387,678</u>
Change in net position					1,269,947	806,238	2,076,185
Net position beginning of year					(1,247,890)	29,005,606	27,757,716
Net position end of year					<u>\$ 22,057</u>	<u>\$ 29,811,844</u>	<u>\$ 29,833,901</u>

See accompanying notes.

CITY OF WASHINGTON COURT HOUSE, OHIO

Balance Sheet
 Governmental Funds
 December 31, 2020

	General Fund	Income Tax Levy	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	\$ 2,117,653	\$ 305,972	\$ 933,705	\$ 3,819,604	\$ 7,176,934
Cash in segregated accounts	18,838	-	-	12,632	31,470
Receivables:					
Property taxes	363,012	-	-	128,244	491,256
Income taxes	903,028	430,899	225,757	198,560	1,758,244
Payment in lieu of taxes	-	-	-	1,157,000	1,157,000
Accounts	397,989	21,601	-	32,402	451,992
Loans, net	-	-	-	71,252	71,252
Interest	39,986	-	-	-	39,986
Intergovernmental	241,574	-	-	364,700	606,274
Special assessments	120,170	-	-	-	120,170
Advances to other funds	375,000	-	-	-	375,000
Prepaid items	20,610	-	-	3,889	24,499
Supplies inventory	-	-	-	86,667	86,667
	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,667</u>	<u>86,667</u>
Total assets	<u>\$ 4,597,860</u>	<u>\$ 758,472</u>	<u>\$ 1,159,462</u>	<u>\$ 5,874,950</u>	<u>\$ 12,390,744</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts payable	\$ 44,398	\$ 12,572	\$ 22,979	\$ 14,461	\$ 94,410
Accrued wages payable	131,053	62,771	-	22,723	216,547
Intergovernmental payable	108,093	5,089	-	11,139	124,321
Refundable advance	-	-	-	16,818	16,818
Total liabilities	<u>283,544</u>	<u>80,432</u>	<u>22,979</u>	<u>65,141</u>	<u>452,096</u>
Deferred Inflows of Resources:					
Property taxes and payment in lieu taxes	351,000	-	-	1,281,000	1,632,000
Unavailable revenue	938,535	276,734	144,987	431,321	1,791,577
Total deferred inflows of resources	<u>1,289,535</u>	<u>276,734</u>	<u>144,987</u>	<u>1,712,321</u>	<u>3,423,577</u>
Fund Balances:					
Nonspendable	407,609	-	-	90,556	498,165
Restricted	-	401,306	991,496	3,984,886	5,377,688
Committed	-	-	-	22,046	22,046
Assigned	71,425	-	-	-	71,425
Unassigned	2,545,747	-	-	-	2,545,747
Total fund balances	<u>3,024,781</u>	<u>401,306</u>	<u>991,496</u>	<u>4,097,488</u>	<u>8,515,071</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,597,860</u>	<u>\$ 758,472</u>	<u>\$ 1,159,462</u>	<u>\$ 5,874,950</u>	<u>\$ 12,390,744</u>

See accompanying notes.

CITY OF WASHINGTON COURT HOUSE, OHIO
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2020

Total governmental fund balances	\$	8,515,071
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		11,783,775
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		1,129,188
Intergovernmental and other receivables		646,133
Delinquent property taxes		16,256
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		(6,930,000)
Unamortized bond premiums		(728,000)
Lease/purchase agreement		(304,719)
Compensated absences		(1,366,721)
Accrued interest on long-term debt		(31,193)
OPWC loan		(618,753)
Deferred outflows of resources from losses on refunding are amortized over the life of the bonds and are not reported in the funds.		400,090
The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred outflows - pension		1,872,549
Deferred inflows - pension		(1,603,288)
Net pension liability		(9,955,646)
Deferred outflows - OPEB		1,225,642
Deferred inflows - OPEB		(688,140)
Net OPEB liability		<u>(3,340,187)</u>
 Net position of governmental activities	 \$	 <u><u>22,057</u></u>

See accompanying notes.

CITY OF WASHINGTON COURT HOUSE, OHIO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2020

	General Fund	Income Tax Levy	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 409,649	\$ -	\$ -	\$ 124,704	\$ 534,353
Municipal income taxes	4,288,588	2,047,820	1,072,147	943,043	8,351,598
Intergovernmental	617,830	-	-	2,599,254	3,217,084
Charges for services	1,026,626	-	-	103,278	1,129,904
Fines, licenses and permits	304,192	-	-	194,174	498,366
Interest	128,195	-	-	10,839	139,034
Payment in lieu of taxes	-	-	-	1,213,887	1,213,887
Contributions and donations	-	-	-	2,000	2,000
Other	709,995	37,500	2,942	80,901	831,338
Total revenues	<u>7,485,075</u>	<u>2,085,320</u>	<u>1,075,089</u>	<u>5,272,080</u>	<u>15,917,564</u>
Expenditures:					
Current:					
Security of persons and property	2,125,906	1,390,199	-	861,683	4,377,788
Public health services	34,750	281,413	-	96,859	413,022
Leisure time activities	11,222	-	-	-	11,222
Community environment	1,094,126	-	-	910,537	2,004,663
Transportation	-	205,477	-	859,652	1,065,129
General government	2,799,093	35,000	20,120	1,098,649	3,952,862
Capital outlay	-	-	556,651	2,000	558,651
Debt service:					
Principal retirement	15,000	-	99,823	805,000	919,823
Interest and fiscal charges	17,505	-	36,599	265,945	320,049
Total expenditures	<u>6,097,602</u>	<u>1,912,089</u>	<u>713,193</u>	<u>4,900,325</u>	<u>13,623,209</u>
Excess of revenues over expenditures	<u>1,387,473</u>	<u>173,231</u>	<u>361,896</u>	<u>371,755</u>	<u>2,294,355</u>
Other financing sources:					
Issuance of loans	-	-	-	68,463	68,463
Net change in fund balance	1,387,473	173,231	361,896	440,218	2,362,818
Fund balance, beginning of year	1,637,308	228,075	629,600	3,657,270	6,152,253
Fund balance, end of year	<u>\$ 3,024,781</u>	<u>\$ 401,306</u>	<u>\$ 991,496</u>	<u>\$ 4,097,488</u>	<u>\$ 8,515,071</u>

See accompanying notes.

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, 2020

Net change in fund balances - total governmental funds \$ 2,362,818

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

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

Capital asset additions	415,785	
Depreciation expense	(1,054,218)	(638,433)

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

Income taxes receivable	(103,419)	
Intergovernmental and other receivables	42,495	
Delinquent property taxes	1,303	(59,621)

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	(170,259)	
Interest on long-term debt	4,068	
Change in deferred loss on refunding	(33,340)	
Change in bond premiums	60,945	(138,586)

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. 919,823

The issuance of OPWC notes are recorded as other financing sources in the governmental funds, but are used to increase long-term debt in the statement of net position. (68,463)

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

Pension		893,298
OPEB		14,410

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

Pension		(1,539,882)
OPEB		(475,417)

Change in net position of governmental activities \$ 1,269,947

See accompanying notes.

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, 2020

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 430,000	\$ 430,000	409,649	\$ (20,351)
Municipal income taxes	4,275,000	4,275,000	4,263,871	(11,129)
Intergovernmental	600,125	1,445,425	1,442,352	(3,073)
Charges for services	1,023,500	1,023,500	1,026,626	3,126
Fines, licenses and permits	462,000	462,200	311,231	(150,969)
Interest	45,000	145,000	120,020	(24,980)
Other	337,430	550,730	476,214	(74,516)
Total revenues	<u>7,173,055</u>	<u>8,331,855</u>	<u>8,049,963</u>	<u>(281,892)</u>
Expenditures:				
Current:				
Security of persons and property	3,253,025	3,253,025	2,995,210	257,815
Public health services	35,000	35,000	34,750	250
Leisure time activities	24,100	24,100	11,218	12,882
Community environment	1,133,749	1,196,235	1,145,495	50,740
General government	3,082,686	3,102,786	2,842,513	260,273
Debt service:				
Principal retirement	15,000	15,000	15,000	-
Interest and fiscal charges	17,505	17,505	17,505	-
Total expenditures	<u>7,561,065</u>	<u>7,643,651</u>	<u>7,061,691</u>	<u>581,960</u>
Net change in fund balance	(388,010)	688,204	988,272	<u>\$ 300,068</u>
Fund balance, beginning of year	968,990	968,990	968,990	
Prior year encumbrances appropriated	<u>33,921</u>	<u>33,921</u>	<u>33,921</u>	
Fund balance, end of year	<u>\$ 614,901</u>	<u>\$ 1,691,115</u>	<u>\$ 1,991,183</u>	

See accompanying notes.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual - Budget (Non-GAAP) Basis

Income Tax Levy Fund

Year Ended December 31, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget</u>
Revenues:				
Municipal income taxes	\$2,050,000	\$ 2,050,000	\$ 2,034,598	\$ (15,402)
Intergovernmental	-	1,800	-	(1,800)
Other	<u>4,200</u>	<u>16,700</u>	<u>15,899</u>	<u>(801)</u>
Total revenues	<u>\$2,054,200</u>	<u>\$ 2,068,500</u>	<u>\$ 2,050,497</u>	<u>\$ (18,003)</u>
Expenditures:				
Current:				
Security of persons and property	1,484,450	1,484,450	1,417,553	66,897
Public health services	262,095	294,925	281,428	13,497
Transportation	237,003	237,003	212,523	24,480
General government	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Total expenditures	<u>2,018,548</u>	<u>2,051,378</u>	<u>1,946,504</u>	<u>104,874</u>
Net change in fund balance	35,652	17,122	103,993	<u>\$ 86,871</u>
Fund balance, beginning of year	185,561	185,561	185,561	
Prior year encumbrances appropriated	<u>10,003</u>	<u>10,003</u>	<u>10,003</u>	
Fund balance, end of year	<u>\$ 231,216</u>	<u>\$ 212,686</u>	<u>\$ 299,557</u>	

See accompanying notes.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Net Position

Proprietary Funds

December 31, 2020

	Enterprise Funds			Totals
	Water	Sewer	Nonmajor Enterprise Fund	
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 681,737	\$ 1,771,886	\$ 139	\$ 2,453,762
Receivables:				
Accounts	342,836	413,454	-	756,290
Special assessments	62,901	51,531	-	114,432
Advances to other funds	-	504,382	-	504,382
Prepaid items	39,822	46,287	-	86,109
Supplies inventory	82,657	-	-	82,657
Total current assets	<u>1,209,953</u>	<u>2,787,540</u>	<u>139</u>	<u>3,997,632</u>
Noncurrent assets:				
Nondepreciable capital assets	936,721	32,782,201	-	33,718,922
Depreciable capital assets, net	12,373,794	16,647,201	-	29,020,995
Total noncurrent assets	<u>13,310,515</u>	<u>49,429,402</u>	<u>-</u>	<u>62,739,917</u>
Total assets	<u>14,520,468</u>	<u>52,216,942</u>	<u>139</u>	<u>66,737,549</u>
Deferred outflows of resources				
Pensions	151,671	157,155	-	308,826
OPEB	102,799	110,289	-	213,088
Total deferred outflows of resources	<u>254,470</u>	<u>267,444</u>	<u>-</u>	<u>521,914</u>
Liabilities				
Current liabilities:				
Accounts payable	54,792	3,157,274	-	3,212,066
Accrued wages payable	46,227	46,509	-	92,736
Intergovernmental payable	12,298	18,336	-	30,634
Advances from other funds	879,382	-	-	879,382
Accrued interest payable	2,047	6,462	-	8,509
Loans payable	136,489	461,585	-	598,074
Compensated absences payable	42,743	56,188	-	98,931
Total current liabilities	<u>1,173,978</u>	<u>3,746,354</u>	<u>-</u>	<u>4,920,332</u>
Noncurrent liabilities:				
Compensated absences payable	49,698	98,515	-	148,213
Loans payable	-	28,682,606	-	28,682,606
Net pension liability	900,213	966,083	-	1,866,296
Net OPEB liability	599,248	643,096	-	1,242,344
Total noncurrent liabilities	<u>1,549,159</u>	<u>30,390,300</u>	<u>-</u>	<u>31,939,459</u>
Total liabilities	<u>2,723,137</u>	<u>34,136,654</u>	<u>-</u>	<u>36,859,791</u>
Deferred Inflows of Resources				
Pensions	197,154	211,579	-	408,733
OPEB	86,387	92,708	-	179,095
Total deferred inflows of resources	<u>283,541</u>	<u>304,287</u>	<u>-</u>	<u>587,828</u>
Net Position				
Net investment in capital assets	13,174,026	20,285,211	-	33,459,237
Unrestricted (deficit)	<u>(1,405,766)</u>	<u>(2,241,766)</u>	<u>139</u>	<u>(3,647,393)</u>
Total net position	<u>\$ 11,768,260</u>	<u>\$ 18,043,445</u>	<u>\$ 139</u>	<u>\$ 29,811,844</u>

See accompanying notes.

CITY OF WASHINGTON COURT HOUSE, OHIO
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2020

	Enterprise Funds			Totals
	Water	Sewer	Nonmajor Enterprise Fund	
Operating revenues:				
Charges for services	\$ 2,835,595	\$ 3,070,166	\$ -	\$ 5,905,761
Other	132,058	148,181	-	280,239
Total operating revenues	<u>2,967,653</u>	<u>3,218,347</u>	<u>-</u>	<u>6,186,000</u>
Operating expenses:				
Personnel services	1,037,736	1,162,308	-	2,200,044
Contractual services	433,099	452,490	-	885,589
Supplies and materials	421,850	167,828	-	589,678
Other	337,776	474,622	-	812,398
Depreciation	323,361	598,229	-	921,590
Total operating expenses	<u>2,553,822</u>	<u>2,855,477</u>	<u>-</u>	<u>5,409,299</u>
Operating income	413,831	362,870	-	776,701
Non-operating revenues (expenses):				
Investment earnings	23,356	24,321	-	47,677
Interest expense and fiscal charges	(6,137)	(17,277)	-	(23,414)
Intergovernmental revenue	2,805	2,469	-	5,274
Total non-operating revenues (expenses)	<u>20,024</u>	<u>9,513</u>	<u>-</u>	<u>29,537</u>
Change in net position	433,855	372,383	-	806,238
Net position, beginning of year	<u>11,334,405</u>	<u>17,671,062</u>	<u>139</u>	<u>29,005,606</u>
Net position, end of year	<u>\$ 11,768,260</u>	<u>\$ 18,043,445</u>	<u>\$ 139</u>	<u>\$ 29,811,844</u>

See accompanying notes.

CITY OF WASHINGTON COURT HOUSE, OHIO
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2020

	Enterprise Funds			Totals
	Water	Sewer	Nonmajor Enterprise Fund	
Cash flows from operating activities:				
Cash received from customers	\$ 2,820,971	\$ 3,048,381	\$ -	\$ 5,869,352
Cash payments for employee services and benefits	(1,003,147)	(1,049,642)	-	(2,052,789)
Cash payments to suppliers for goods and services	(828,836)	(641,208)	-	(1,470,044)
Cash payments for other operating expenses	(338,106)	(1,208,751)	-	(1,546,857)
Cash received from other operating revenue	93,420	67,555	-	160,975
Net cash from operating activities	<u>744,302</u>	<u>216,335</u>	<u>-</u>	<u>960,637</u>
Cash flows from noncapital financing activities:				
Intergovernmental revenue	2,805	2,469	-	5,274
Advances received from other funds	-	45,854	-	45,854
Repayment of advances to other funds	(170,854)	-	-	(170,854)
Net cash from noncapital financing activities	<u>(168,049)</u>	<u>48,323</u>	<u>-</u>	<u>(119,726)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(84,599)	(24,744,716)	-	(24,829,315)
Proceeds from loan draws	-	25,574,017	-	25,574,017
Principal payments on bonds and loans	(264,265)	(446,150)	-	(710,415)
Interest paid on bonds, notes and loans	(12,867)	(26,383)	-	(39,250)
Net cash from capital and related financing activities	<u>(361,731)</u>	<u>356,768</u>	<u>-</u>	<u>(4,963)</u>
Cash flows from investing activities:				
Interest	23,356	24,321	-	47,677
Net cash from investing activities	<u>23,356</u>	<u>24,321</u>	<u>-</u>	<u>47,677</u>
Net change	237,878	645,747	-	883,625
Cash and pooled investments beginning of year	443,859	1,126,139	139	1,570,137
Cash and pooled investments end of year	<u>\$ 681,737</u>	<u>\$ 1,771,886</u>	<u>\$ 139</u>	<u>\$ 2,453,762</u>
Reconciliation of operating income to net cash from operating activities:				
Operating income	\$ 413,831	\$ 362,870	\$ -	\$ 776,701
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	323,361	598,229	-	921,590
Changes in assets, liabilities and deferred outflows and inflows:				
Receivables	(53,262)	(102,411)	-	(155,673)
Prepaid items	(4,158)	570	-	(3,588)
Supplies inventory	(3,604)	-	-	(3,604)
Accounts payable	29,387	(755,019)	-	(725,632)
Accrued wages	16,032	19,266	-	35,298
Intergovernmental payable	260	4,142	-	4,402
Compensated absences payable	(73,269)	(7,990)	-	(81,259)
Deferred outflows - pensions and OPEB	203,029	231,044	-	434,073
Deferred inflows - pensions and OPEB	263,957	283,071	-	547,028
Net pension and OPEB liabilities	(371,262)	(417,437)	-	(788,699)
Net cash from operating activities	<u>\$ 744,302</u>	<u>\$ 216,335</u>	<u>\$ -</u>	<u>\$ 960,637</u>
Schedule of non-cash capital and related financing activities:				
Capital assets from outstanding liabilities	<u>\$ -</u>	<u>\$ 3,134,958</u>		

See accompanying notes.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Fiduciary Net Position

Fiduciary Fund

December 31, 2020

	<u>Custodial Fund</u>
<i>Assets</i>	
Cash in segregated accounts	\$ <u>22,805</u>
<i>Net Position</i>	
Restricted for other governments and individuals	\$ <u><u>22,805</u></u>

See accompanying notes.

CITY OF WASHINGTON COURT HOUSE, OHIO
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended December 31, 2020

	<u>Custodial Fund</u>
<i>Additions:</i>	
Collection of fines, licenses and permits	\$ <u>769,424</u>
<i>Deductions:</i>	
Distributions to other governments and individuals	<u>784,264</u>
Change in net position	(14,840)
Net position, beginning of year	<u>37,645</u>
Net position, end of year	<u>\$ 22,805</u>

See accompanying notes.

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CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 1 - DESCRIPTION OF THE ENTITY

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Fund Accounting

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

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

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

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

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 fund: Fiduciary fund reporting focuses on changes in net position and financial position. The City has one custodial fund. The City's custodial fund account for assets that are held pending determination of their disposition from Municipal Court operations.

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 fiduciary 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, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

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

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

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

Deferred Outflows and Inflows of Resources

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized until that time. For the City, deferred inflows of resources include property taxes and payments in lieu of taxes, unavailable revenue, pension and OPEB. Property taxes and payments in lieu of taxes represent amounts that are measurable as of December 31, 2020, but are intended to finance 2021 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (sixty days after year-end). The deferred inflows of resources related to pension and OPEB are reported on the government-wide and proprietary fund statements of net position (see Notes 10 and 11).

Expenses/Expenditures

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

Budgetary Accounting and Control

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

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

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

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

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

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 2020.

Reconciliation of Budget Basis to GAAP Basis

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

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

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

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

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

	<u>General Fund</u>	<u>Income Tax Levy</u>
Net change in fund balance - GAAP Basis	\$ 1,387,473	173,231
Increase / (decrease):		
Due to revenues	564,888	(34,823)
Due to expenditures	(848,266)	(28,000)
Due to encumbrances	<u>(115,823)</u>	<u>(6,415)</u>
Net change in fund balance - Budget Basis	\$ <u>988,272</u>	<u>103,993</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 2020, the City’s funds were invested in negotiable certificates of deposit, money market accounts, the State Treasury Assets Reserve of Ohio (STAR Ohio), U.S. Treasury securities, U.S. agencies securities and HH bonds. For purposes of the statement of cash flows, the enterprise funds’ portion of cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from the enterprise funds without prior notice or penalty.

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

STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Investments in STAR Ohio are valued at the net asset value per share provided by STAR Ohio on an amortized cost basis at December 31, 2020, which approximates fair value.

For 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Receivables

Receivables at December 31, 2020 consist of property and income taxes, payments in lieu of taxes, consumer accounts (billings for user charged services, included unbilled utility services), loans, special assessments and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full, except as noted below, including accounts receivables which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

Loans receivable in the Nonmajor Governmental Funds represent low interest loans made by the City for community development projects and small businesses under the Community Development Block Grants (CDBG) program. The loans bear interest at annual rates ranging from 2 to 6 percent. The loans are to be repaid over periods ranging from 10 to 20 years. The City maintained an allowance at December 31, 2020 of \$20,415 for doubtful collections.

Supplies Inventories

Supplies 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, 2020 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and the expenditure/expense in the year in which the services are consumed.

Capital Assets

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

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Pensions and OPEB

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

Operating Revenues and Expenses

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

Interfund Transactions

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

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

Fund Balances

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

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

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

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

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

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

Net Position

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

Restricted for other purposes represents balances of State and Federal grants in Special Revenue Funds. Of the City's \$6,290,093 restricted net position, none is restricted by enabling legislation.

Estimates

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS – *continued*

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*, and amended by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

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

At year end, the carrying amount of the City’s deposits was \$3,619,134 and the bank balance was \$4,035,982. The City’s bank balance was covered by FDIC and collateralized with securities held by the pledging financial institution’s trust department or agent, respectively.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS – *continued*

Investments: The City’s investments at December 31, 2020 are summarized as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Concentration of Credit Risk</u>
FHLMC	\$ 315,374	2.64	5.20%
FHLB	152,474	0.94	2.51%
Negotiable Certificates of Deposit	2,697,048	2.43	44.47%
STAR Ohio	2,530,797	0.15	41.72%
Series HH Bonds	4,000	-	0.07%
Money Markets	231,186	0.10	3.81%
US Treasury	<u>134,958</u>	0.38	<u>2.22%</u>
	<u>\$ 6,065,837</u>		<u>100.00%</u>

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

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS - continued

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Investments classified in Level 2 of the fair value hierarchy are valued using pricing sources as provided by the investment managers. The City has the following recurring fair value measurements as of December 31, 2020:

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value				
Negotiable CDs	\$ 2,697,048	\$ -	\$ 2,697,048	\$ -
U.S. Agency Obligations	467,848	-	467,848	-
U.S. Treasuries	134,958	134,958	-	-
Total	<u>\$ 3,299,854</u>	<u>\$ 134,958</u>	<u>\$ 3,164,896</u>	<u>\$ -</u>

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2020 for real and public utility property taxes represents collections of 2019 taxes.

2020 real property taxes are levied after October 1, 2020 on the assessed value as of January 1, 2020, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2020 real property taxes are collected in and intended to finance 2021.

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. 2020 public utility property taxes, which became a lien December 31, 2019 are levied after October 1, 2020, and are collected in 2021 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 2020 taxes were collected was \$236,820,670. The full tax rate for all City operations applied for real property for fiscal year ended December 31, 2020 was \$2.30 per \$1,000 of assessed valuation. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Accrued property taxes receivable represents delinquent taxes outstanding and real tangible personal and public utility taxes which were measurable as of December 31, 2020. 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 2020 operations. The receivable is therefore offset by a credit to deferred inflows of resources.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 5 - INCOME TAX

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

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

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance 1/1/20	Additions	Deletions	Balance 12/31/20
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$ 1,511,469	\$ -	\$ -	\$ 1,511,469
Construction in progress	87,082	6,361	-	93,443
<i>Total Nondepreciable Capital Assets</i>	<u>1,598,551</u>	<u>6,361</u>	<u>-</u>	<u>1,604,912</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	711,395	118,017	-	829,412
Buildings and Improvements	9,158,193	-	-	9,158,193
Equipment and Vehicles	6,399,008	291,407	(3,895)	6,686,520
Infrastructure	51,924,703	-	-	51,924,703
<i>Total Depreciable Capital Assets</i>	<u>68,193,299</u>	<u>409,424</u>	<u>(3,895)</u>	<u>68,598,828</u>
<i>Accumulated Depreciation:</i>				
Land Improvements	(543,932)	(48,504)	-	(592,436)
Buildings and Improvements	(2,434,200)	(202,501)	-	(2,636,701)
Equipment and Vehicles	(5,214,962)	(272,269)	3,895	(5,483,336)
Infrastructure	(49,176,548)	(530,944)	-	(49,707,492)
<i>Total Accumulated Depreciation</i>	<u>(57,369,642)</u>	<u>(1,054,218)</u>	<u>3,895</u>	<u>(58,419,965)</u>
<i>Total Govt Activities Capital Assets, Net</i>	<u>\$ 12,422,208</u>	<u>\$ (638,433)</u>	<u>\$ -</u>	<u>\$ 11,783,775</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 6 - CAPITAL ASSETS - continued

Depreciation expense was charged to governmental functions as follows:

Security of Persons and Property	\$ 382,664
Leisure Time Activities	37,710
Public Health	12,810
Transportation	590,940
General Government	30,094
Total Depreciation Expense	<u>\$ 1,054,218</u>

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Business Type Activities:	1/1/20			12/31/20
<i>Nondepreciable Capital Assets:</i>				
Land	\$ 1,198,935	\$ -	\$ -	\$ 1,198,935
Construction in progress	4,642,102	27,877,885	-	32,519,987
<i>Total Nondepreciable Capital Assets</i>	<u>5,841,037</u>	<u>27,877,885</u>	<u>-</u>	<u>33,718,922</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	659,819	-	-	659,819
Buildings and Improvements	26,565,018	-	-	26,565,018
Equipment and Vehicles	3,456,542	8,894	-	3,465,436
Infrastructure	24,266,106	77,494	-	24,343,600
<i>Total Depreciable Capital Assets</i>	<u>54,947,485</u>	<u>86,388</u>	<u>-</u>	<u>55,033,873</u>
<i>Accumulated Depreciation:</i>				
Land Improvements	(641,258)	(1,197)	-	(642,455)
Buildings and Improvements	(11,899,039)	(445,539)	-	(12,344,578)
Equipment and Vehicles	(2,913,088)	(68,481)	-	(2,981,569)
Infrastructure	(9,637,903)	(406,373)	-	(10,044,276)
<i>Total Accumulated Depreciation</i>	<u>(25,091,288)</u>	<u>(921,590)</u>	<u>-</u>	<u>(26,012,878)</u>
<i>Total Bus. Activities Capital Assets, Net</i>	<u>\$ 35,697,234</u>	<u>\$27,042,683</u>	<u>\$ -</u>	<u>\$ 62,739,917</u>

Depreciation expense was charged to segments as follows:

Water	\$ 323,361
Sewer	598,229
Total Depreciation Expense	<u>\$ 921,590</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 7 - INTERFUND TRANSACTIONS

The City created an advance of \$687,798 between the Sewer and Water Funds to have the Water Fund repay revenue that should have been recorded in the Sewer Fund. The loan will be repaid over fifteen years beginning in 2017. The advance balance at December 31, 2020 was \$504,382.

In 2019, the General Fund advanced \$500,000 to the Water Fund for water system projects. The loan will be repaid over four years beginning in 2020. The advance balance at December 31, 2020 was \$375,000.

NOTE 8 - LONG-TERM LIABILITIES

The changes in the City's long-term liabilities for the year ended December 31, 2020 were as follows:

	<u>Balance at 1/1/20</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at 12/31/20</u>	<u>Amount Due Within One Year</u>
<i>Governmental Activities:</i>					
Various Purpose 2011					
Refunding GO Bonds:					
Road Way Improvement	\$ 480,000	\$ -	\$ (35,000)	\$ 445,000	\$ 40,000
Refunding	130,000	-	(40,000)	90,000	45,000
Fire Apparatus	590,000	-	(45,000)	545,000	45,000
Premium on Series 2011	18,351	-	(1,668)	16,683	-
Various Purpose 2016					
Refunding GO Bonds:					
Note Refinancing	935,000	-	(115,000)	820,000	120,000
Safety Services	3,200,000	-	(475,000)	2,725,000	495,000
Tax Increment Financing	2,010,000	-	(140,000)	1,870,000	150,000
Premium on Series 2016	770,594	-	(59,277)	711,317	-
<i>Direct Placement:</i>					
Real Estate Acquisition					
2019 GO Bonds	450,000	-	(15,000)	435,000	15,000
Capital Leases	350,851	-	(46,132)	304,719	47,402
<i>Direct Borrowing:</i>					
OPWC Loans	558,981	68,463	(8,691)	618,753	17,383
Compensated Absences Payable	1,196,462	571,127	(400,868)	1,366,721	258,367
<i>Total Governmental Activities</i>	<u>\$ 10,690,239</u>	<u>\$ 639,590</u>	<u>\$ (1,381,636)</u>	<u>\$ 9,948,193</u>	<u>\$ 1,233,152</u>

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 8 - LONG-TERM LIABILITIES – *continued*

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

On May 24, 2019, the City issued \$450,000 in real estate acquisition bonds that were directly placed with First Commonwealth Bank. The proceeds were used to finance the purchase of land near an industrial park for future use of access and development. The interest rate on the Series 2019 bonds were 3.89% and will fully mature in 2039.

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 direct borrowing loans from the Ohio Public Works Commission (OPWC). In 2009, the OPWC issued a loan of \$238,172 for traffic signal upgrades that will be repaid in 2032. In 2014, the OPWC issued a loan of \$622,450 for Leesburg Avenue reconstruction that will be repaid in 2044. Due to the Leesburg Avenue project being completed under budget, the City received a credit from OPWC on the loan that was applied as a loan forgiveness payment during 2017. In 2018, the OPWC approved a loan of up to \$1,022,286 for Washington Avenue reconstruction. As of December 31, 2020, \$335,787 has been drawn.

	<u>Balance</u> <u>at 1/1/20</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>at 12/31/20</u>	<u>Amount Due</u> <u>Within One</u> <u>Year</u>
<i>Business Type Activities:</i>					
<i>Direct Borrowing:</i>					
OWDA Sewer Loan 2563	\$ 907,735	\$ -	\$ (446,150)	\$ 461,585	\$ 461,585
OWDA Water Loan 3258	400,754	-	(264,265)	136,489	136,489
OWDA Sewer Loan 8663	3,108,589	25,574,017	-	28,682,606	-
Compensated Absences Payable	328,403	78,445	(159,704)	247,144	98,931
<i>Total Business Type Activities</i>	<u>\$ 4,745,481</u>	<u>\$ 25,652,462</u>	<u>\$ (870,119)</u>	<u>\$ 29,527,824</u>	<u>\$ 697,005</u>

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

In 2017, the City an OWDA loan for the wastewater treatment improvements design. The total amount drawn, plus capitalized interest, was \$2,287,809. In 2019, this planning loan was closed out and consolidated with the new project loan. As of December 31, 2020, \$28,682,606 has been drawn on the consolidated loan.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

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, excluding the 2019 wastewater treatment improvement loan, since it's still in progress, is \$612,971.

Principal and interest requirements to retire the City's governmental activities' outstanding notes and bonds as of December 31, 2020, are as follows:

	Series 2011 Bonds		Series 2016 Bonds		Direct Placement Series 2019 Bonds		Direct Borrowing OPWC
	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2021	\$ 130,000	\$ 49,885	\$ 765,000	\$ 209,600	\$ 15,000	\$ 16,922	\$ 17,383
2022	90,000	44,360	790,000	179,000	15,000	16,338	17,383
2023	90,000	40,535	810,000	154,400	15,000	15,755	17,383
2024	100,000	36,800	850,000	122,000	20,000	15,171	17,383
2025	100,000	32,650	875,000	88,000	20,000	14,393	17,383
2026-2030	570,000	88,500	1,005,000	168,000	105,000	60,295	86,912
2031-2035	-	-	320,000	19,400	125,000	37,929	57,139
2036-2040	-	-	-	-	120,000	11,670	27,369
2041-2045	-	-	-	-	-	-	24,631
Total	<u>\$ 1,080,000</u>	<u>\$ 292,730</u>	<u>\$5,415,000</u>	<u>\$ 940,400</u>	<u>\$ 435,000</u>	<u>\$ 188,473</u>	<u>\$ 282,966</u>

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

Principal and interest requirements to retire the City's business-type activities' outstanding loans as of December 31, 2020, are as follows:

	Direct Borrowing OWDA Loans	
	Principal	Interest*
2021	\$ 598,074	\$ 14,897

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

The OWDA loans amortization excludes the 2019 wastewater treatment improvement loan balance, since the project is ongoing. It will be included once the loan project is completed and the loan amortization is finalized.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 9 - CAPITAL LEASE

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

The following is a schedule of the future minimum lease payments for the capital lease, and the present value of the future minimum lease payments at December 31, 2020:

Year Ending December 31,		
2021	\$	55,791
2022		55,791
2023		55,791
2024		55,791
2025		55,791
Thereafter		55,791
Total Future Minimum Lease Payments		334,746
Less: Amount Representing Interest		30,027
Present Value of Future Minimum Lease Payments	\$	304,719

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees).

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS – continued

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.

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’ Comprehensive Annual Financial Report 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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS – *continued*

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 2020, member contribution rates were 10% of salary and employer contribution rates were 14%. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$576,981 for 2020. Of this amount, \$75,135 is reported as an intergovernmental payable.

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.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS – continued

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.

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

	<u>Police</u>		<u>Firefighters</u>	
2020 Statutory Maximum Contribution Rates				
Employer	19.50	%	24.00	%
Employee	12.25	%	12.25	%
2020 Actual Contribution Rates				
Employer:				
Pension	19.00	%	23.50	%
Post-employment Health Care Benefits	0.50	%	0.50	%
Total Employer	<u>19.50</u>	%	<u>24.00</u>	%
Employee	<u>12.25</u>	%	<u>12.25</u>	%

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OP&F was \$501,837 for 2020. Of this amount, \$53,252 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, 2019 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, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. 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	\$ 5,489,106	\$	6,332,836	\$	11,821,942
Proportion of Net Pension Liability	0.02777%		0.09401%		
Change in Proportion	-0.00026%		0.00192%		
Pension Expense	\$ 947,340	\$	848,769	\$	1,796,109

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS – continued

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$ -	\$ 239,719	\$ 239,719
Change in assumptions	293,182	155,455	448,637
Change in proportionate share and difference in employer contributions	69,485	344,716	414,201
City contributions subsequent to the measurement date	<u>576,981</u>	<u>501,837</u>	<u>1,078,818</u>
	<u>\$ 939,648</u>	<u>\$ 1,241,727</u>	<u>\$ 2,181,375</u>
 <u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 69,402	\$ 326,610	\$ 396,012
Net differences between projected and actual investment earnings	1,094,953	305,927	1,400,880
Change in proportionate share and difference in employer contributions	<u>37,801</u>	<u>177,328</u>	<u>215,129</u>
	<u>\$ 1,202,156</u>	<u>\$ 809,865</u>	<u>\$ 2,012,021</u>

\$1,078,818 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2021	\$ (82,936)	\$ (38,304)	\$ (121,240)
2022	(367,127)	7,879	(359,248)
2023	45,342	220,414	265,756
2024	(434,768)	(240,107)	(674,875)
2025	<u>-</u>	<u>(19,857)</u>	<u>(19,857)</u>
	<u>\$ (839,489)</u>	<u>\$ (69,975)</u>	<u>\$ (909,464)</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS – *continued*

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Wage inflation	3.25%
Future salary increases, Including inflation	3.25% to 10.75%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3% simple; Post 1/7/2013 retirees: 1.4% simple through 2020, then 2.15% simple
Investment rate of return	7.20%
Actuarial cost method	Individual entry age
Mortality tables	RP-2014

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

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

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2% for 2019.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS – *continued*

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2019 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	25.00%	1.83%
Domestic Equities	19.00%	5.75%
Real Estate	10.00%	5.20%
Private Equity	12.00%	10.70%
International Equities	21.00%	7.66%
Other Investments	<u>13.00%</u>	4.95%
Total	<u>100.00%</u>	5.61%

Discount Rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table represents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.20%) and one-percentage point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate of 7.20%	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$ 9,053,623	\$ 5,489,106	\$ 2,285,068

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS – *continued*

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2019 is based on the results of an actuarial valuation date of January 1, 2019, 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, 2019, are presented below:

Valuation date	January 1, 2019 with actuarial liabilities rolled forward to December 31, 2019
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% to 10.50%
Payroll growth	2.75% plus productivity increase rate of 0.5%
Inflation assumptions	2.75%
Cost of living adjustments	3.0% simple; 2.2% simple for increases based on the lesser of the increase in CPI and 3.0%.

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

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

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

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

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS – *continued*

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2019 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalents	0.0%	1.00%
Domestic equity	16.0%	5.40%
Non-U.S. equity	16.0%	5.80%
Private markets	8.0%	8.00%
Core fixed income*	23.0%	2.70%
High yield fixed income	7.0%	4.70%
Private credit	5.0%	5.50%
U.S. inflation linked bonds*	17.0%	2.50%
Master limited partnerships	8.0%	6.60%
Real assets	8.0%	7.40%
Private real estate	12.0%	6.40%
	120.0%	

*Note: Assumptions are geometric. * Levered 2x*

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

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 10 - DEFINED BENEFIT PENSION PLANS – continued

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

	1% Decrease (7.00%)	Current Discount Rate of 8.00%	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 8,777,090	\$ 6,332,836	\$ 4,288,459

NOTE 11 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

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

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

Plan Description—Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0% of earnable. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of Traditional Pension and Combined plans' employer contributions allocated to health care was zero in 2020. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.0%.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

The City’s contractually required contributions to OPERS was \$3,411 for 2020.

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

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2020, the portion of the employer contributions allocated to health care was 0.5% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 11 - DEFINED BENEFIT OPEB PLANS – continued

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

The City’s contractually required contribution to OP&F was \$12,096 for 2020.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F’s total OPEB liability was measured as of December 31, 2019 and was determined by rolling forward the total OPEB liability as of January 1, 2019 to December 31, 2019. The City’s proportion of the net OPEB liability was based on the City’s share of contributions to the respective retirement systems relative to the contributions of all participating entities. The following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of Net OPEB Liability	\$ 3,653,952	\$ 928,579	\$ 4,582,531
Proportion of Net OPEB Liability	0.02645%	0.09401%	
Change in Proportion	-0.00008%	0.00192%	
OPEB Expense	\$ 452,611	\$ 145,598	\$ 598,209

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$ 98	\$ -	\$ 98
Change in assumptions	578,382	542,882	1,121,264
Change in proportionate share and difference in employer contributions	45,023	256,838	301,861
City contributions subsequent to the measurement date	3,411	12,096	15,507
	<u>\$ 626,914</u>	<u>\$ 811,816</u>	<u>\$ 1,438,730</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

	OPERS	OP&F	Total
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 334,170	\$ 99,861	\$ 434,031
Net differences between projected and actual investment earnings	186,059	42,729	228,788
Change in assumptions	-	197,897	197,897
Change in proportionate share and difference in employer contributions	6,519	-	6,519
	\$ 526,748	\$ 340,487	\$ 867,235

\$15,507 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2021	\$ 133,551	\$ 87,028	\$ 220,579
2022	42,561	87,028	129,589
2023	148	95,793	95,941
2024	(79,505)	81,974	2,469
2025	-	83,332	83,332
Thereafter	-	24,078	24,078
	\$ 96,755	\$ 459,233	\$ 555,988

Actuarial Assumptions—OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

Wage inflation	3.25%
Projected salary increases	3.25% to 10.75%, including wage inflation
Single discount rate:	
Current measurement period	3.16%
Prior measurement period	3.96%
Investment rate of return	6.00%
Municipal bond rate:	
Current measurement period	2.75%
Prior measurement period	3.71%
Health care cost trend rate:	
Current measurement period	10.5% initial, 3.50% ultimate in 2030
Prior measurement period	10.0% initial, 3.25% ultimate in 2029
Actuarial cost method	Individual entry age

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

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

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7% for 2019.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

The allocation of investment assets within the Health Care portfolio is approved by the OPERS Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the OPERS Board-approved asset allocation policy for 2019 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	36.00%	1.53%
Domestic Equities	21.00%	5.75%
REITs	6.00%	5.69%
International Equities	23.00%	7.66%
Other Investments	<u>14.00%</u>	4.90%
 Total	 <u>100.00%</u>	 4.55%

Discount Rate. A single discount rate of 3.16% was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

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

The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16%, as well as what the City's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0% point lower (2.16%) or 1.0% point higher (4.16%) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate of 3.16%	1% Increase (4.16%)
City's proportionate share of the net OPEB liability	\$ 4,781,643	\$ 3,653,952	\$ 2,750,847

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 3,546,024	\$ 3,653,952	\$ 3,760,293

Changes Subsequent to the Measurement Date. On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current measurement period, but are expected to decrease the associated OPEB liability.

Actuarial Assumptions—OP&F

OP&F’s total OPEB liability as of December 31, 2019 is based on the results of an actuarial valuation date of January 1, 2019 and rolled forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

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

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

Actuarial valuation date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.75% to 10.50%
Payroll growth	3.25%
Single discount rate:	
Current measurement date	3.56%
Prior measurement date	4.66%
Municipal bond rate:	
Current measurement date	2.75%
Prior measurement date	4.13%
Cost of living adjustments	3.0% simple; 2.2% simple for increase based on the lesser of the increases in CPI and 3.0%

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

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

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

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

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in OP&F’s Statement of Investment Policy. A forecasted rate of inflation serves as a baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected real rates of return for each major asset class included in OP&F’s target asset allocation as of December 31, 2019 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalent	0.0%	1.00%
Domestic equity	16.0%	5.40%
Non-U.S. equity	16.0%	5.40%
Private markets	8.0%	8.00%
Core fixed income*	23.0%	2.70%
High yield fixed income	7.0%	4.70%
Private credit	5.0%	5.50%
U.S. inflation linked bonds*	17.0%	2.50%
Master limited partnerships	8.0%	6.60%
Real assets	8.0%	7.40%
Private real estate	12.0%	6.40%
Total	120.00%	

*Note: Assumptions are geometric. * Levered 2x*

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

Discount Rate. Total OPEB liability was calculated using the discount rate of 3.56%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.0%. Based on those assumptions, OP&F’s fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, a municipal bond rate of 2.75% at December 31, 2019 and 4.13% at December 31, 2018 was blended with the long-term rate of 8.0%, which resulted in a blended discount rate of 3.56% at December 31, 2019 and 4.66% at December 31, 2018.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 11 - DEFINED BENEFIT OPEB PLANS – continued

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate.

Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 3.56%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.56%) and 1% point higher (4.56%) than the current discount rate.

	1% Decrease (2.56%)	Current Discount Rate of 3.56%	1% Increase (4.56%)
City's proportionate share of the net OPEB liability	\$ 1,151,378	\$ 928,579	\$ 743,449

NOTE 12 - OTHER EMPLOYEE BENEFITS

Compensated Absences

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

Accumulated Unpaid Vacation

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

Accumulated Unpaid Sick Leave

City employees earn sick leave at varying rates based upon length of. City employees who have ten years of service 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.

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

Health Care Benefits

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2020, the City contracted with various commercial carriers for property, auto, crime, and liability insurance as well as public official bonds.

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

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

NOTE 14 - RELATED ORGANIZATION

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

NOTE 15 - CONTINGENT LIABILITIES

Litigation

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

Federal and State Grants

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

Asset Retirement Obligations

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewage system to the Ohio EPS for approval. Through this review process, the City would be responsible to address any public safety issues associated with their wastewater treatment facilities. At this time, due to limitations associated with the existing plant's age and building materials within the plant, management does not have a reasonable estimate to calculate a liability for this year.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 16 - COMMITMENTS

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

General Fund	\$ 115,823
Income Tax Levy	6,145
Permanent Improvement	187,379
Nonmajor Governmental Funds	<u>129,302</u>
	<u>\$ 438,649</u>

NOTE 17 - FUND BALANCES

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

Fund Balances	General Fund	Income Tax Levy	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>					
Prepays	\$ 20,610	\$ -	\$ -	\$ 3,889	\$ 24,499
Advances to other funds	375,000	-	-	-	375,000
Unclaimed funds	11,999	-	-	-	11,999
Inventory	-	-	-	86,667	86,667
<i>Total Nonspendable</i>	<u>407,609</u>	<u>-</u>	<u>-</u>	<u>90,556</u>	<u>498,165</u>
<i>Restricted for</i>					
Police	-	191,145	-	33,739	224,884
Fire	-	127,825	-	21,645	149,470
Streets	-	11,725	-	596,066	607,791
Cemetery	-	62,801	-	453,274	516,075
Economic development	-	-	-	32,715	32,715
Community development	-	-	-	29,943	29,943
Municipal court	-	-	-	291,736	291,736
Debt service	-	-	143,539	1,080,214	1,223,753
Capital projects	-	-	847,957	825,012	1,672,969
Other purposes	-	7,810	-	620,542	628,352
<i>Total Restricted</i>	<u>-</u>	<u>401,306</u>	<u>991,496</u>	<u>3,984,886</u>	<u>5,377,688</u>
<i>Committed to</i>					
Bridge maintenance	-	-	-	22,046	22,046
<i>Assigned to</i>					
Other	71,425	-	-	-	71,425
<i>Unassigned</i>	<u>2,545,747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,545,747</u>
<i>Total Fund Balance</i>	<u>\$ 3,024,781</u>	<u>\$ 401,306</u>	<u>\$ 991,496</u>	<u>\$ 4,097,488</u>	<u>\$ 8,515,071</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2020

NOTE 18 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and continuing emergency measures will likely impact subsequent periods of the City. The impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF WASHINGTON COURT HOUSE, OHIO

Required Supplementary Information

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

Ohio Public Employees Retirement System - Traditional Pension Plan

Last Seven Years (1) (2)

	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.03009%	\$ 3,547,573	\$ 3,422,746	103.65%	86.36%
2015	0.03009%	3,629,552	3,689,433	98.38%	86.45%
2016	0.02842%	4,922,327	3,541,017	139.01%	81.08%
2017	0.02659%	6,037,915	3,443,633	175.34%	77.25%
2018	0.02674%	4,194,879	3,445,492	121.75%	84.66%
2019	0.02803%	7,676,135	3,784,257	202.84%	74.70%
2020	0.02777%	5,489,106	3,860,321	142.19%	82.17%

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

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

Notes to Schedule:

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

In 2019, a reduction of the discount rate was made from 7.5% to 7.2%.

CITY OF WASHINGTON COURT HOUSE, OHIO
 Required Supplementary Information
 Schedule of City Pension Contributions
 Ohio Public Employees Retirement System - Traditional Pension Plan
 Last Eight Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 444,957	\$ (444,957)	\$ -	\$ 3,422,746	13.00%
2014	442,732	(442,732)	-	3,689,433	12.00%
2015	424,922	(424,922)	-	3,541,017	12.00%
2016	413,236	(413,236)	-	3,443,633	12.00%
2017	447,914	(447,914)	-	3,445,492	13.00%
2018	529,796	(529,796)	-	3,784,257	14.00%
2019	540,445	(540,445)	-	3,860,321	14.00%
2020	576,981	(576,981)	-	4,121,293	14.00%

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

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

	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.09454%	\$ 4,604,249	\$ 2,485,902	185.21%	73.00%
2015	0.09454%	4,897,411	1,943,178	252.03%	71.71%
2016	0.09350%	6,015,112	1,950,617	308.37%	66.77%
2017	0.08452%	5,353,435	1,913,634	279.75%	68.36%
2018	0.08856%	5,435,588	2,037,043	266.84%	70.91%
2019	0.09209%	7,517,146	2,254,674	333.40%	63.07%
2020	0.09401%	6,332,836	2,349,602	269.53%	69.89%

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

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

Notes to Schedule:

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

CITY OF WASHINGTON COURT HOUSE, OHIO
 Required Supplementary Information
 Schedule of City Pension Contributions
 Ohio Police and Fire Pension Fund
 Last Eight Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 424,592	\$ (424,592)	\$ -	\$ 2,485,902	17.08%
2014	395,631	(395,631)	-	1,943,178	20.36%
2015	391,879	(391,879)	-	1,950,617	20.09%
2016	384,449	(384,449)	-	1,913,634	20.09%
2017	409,242	(409,242)	-	2,037,043	20.09%
2018	452,964	(452,964)	-	2,254,674	20.09%
2019	472,035	(472,035)	-	2,349,602	20.09%
2020	501,837	(501,837)	-	2,497,944	20.09%

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

CITY OF WASHINGTON COURT HOUSE, OHIO

Required Supplementary Information

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

Ohio Public Employees Retirement System - Traditional Pension Plan

Last Four Years (1) (2)

	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.02524%	\$ 2,548,992	\$ 3,443,633	74.02%	54.05%
2018	0.02532%	2,749,366	3,445,492	79.80%	54.14%
2019	0.02653%	3,459,117	3,784,257	91.41%	46.33%
2020	0.02645%	3,653,952	3,860,321	94.65%	47.80%

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

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

Notes to Schedule:

Change in assumptions. In 2018, the single discount rate changed from 4.23% to 3.85%.

In 2019, the single discount rate changed from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00%, and the health care cost trend rate changed from 7.5% initial to 10.0% initial.

In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate changed from 10.0% initial, 3.25% ultimate in 2029 to 10.5% initial, 3.50% ultimate in 2030.

CITY OF WASHINGTON COURT HOUSE, OHIO
 Required Supplementary Information
 Schedule of City OPEB Contributions
 Ohio Public Employees Retirement System - Traditional Pension Plan
 Last Eight Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 34,227	\$ (34,227)	\$ -	\$ 3,422,746	1.00%
2014	73,789	(73,789)	-	3,689,433	2.00%
2015	70,820	(70,820)	-	3,541,017	2.00%
2016	70,738	(70,738)	-	3,443,633	2.00%
2017	34,876	(34,876)	-	3,445,492	1.00%
2018	2,211	(2,211)	-	3,784,257	0.06%
2019	2,255	(2,255)	-	3,860,321	0.06%
2020	3,411	(3,411)	-	4,121,293	0.08%

(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.

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

	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.08452%	\$ 4,011,992	\$ 1,913,634	209.65%	15.96%
2018	0.08856%	5,017,927	2,037,043	246.33%	14.13%
2019	0.09209%	838,639	2,254,674	37.20%	46.57%
2020	0.09401%	928,579	2,349,602	39.52%	47.08%

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

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

Notes to Schedule:

Change in assumptions. In 2018, the single discount rate changed from 3.79% to 3.24%.

In 2019, the single discount rate changed from 3.24% to 4.66%.

In 2020, the single discount rate changed from 4.66% to 3.56%.

Change in benefit terms. Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model, depositing stipends into individual health reimbursements accounts that retiree will use to be reimbursed for health care expenses.

CITY OF WASHINGTON COURT HOUSE, OHIO

Required Supplementary Information
 Schedule of City OPEB Contributions
 Ohio Police and Fire Pension Fund
 Last Eight Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 82,013	\$ (82,013)	\$ -	\$ 2,485,902	3.30%
2014	10,261	(10,261)	-	1,943,178	0.53%
2015	9,414	(9,414)	-	1,950,617	0.48%
2016	9,291	(9,291)	-	1,913,634	0.49%
2017	9,916	(9,916)	-	2,037,043	0.49%
2018	10,958	(10,958)	-	2,254,674	0.49%
2019	11,423	(11,423)	-	2,349,602	0.49%
2020	12,096	(12,096)	-	2,497,944	0.48%

(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
 FAYETTE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2020

FEDERAL GRANTOR <i>Pass Through Grantor Program / Cluster Title</i>	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
UNITED STATES DEPARTMENT OF TREASURY				
<i>Passed through Ohio Department of Budget and Management</i>				
Coronavirus Relief Fund	21.019	HB481-CRF-Local	\$ -	\$ 1,250,592
TOTAL UNITED STATES DEPARTMENT OF TREASURY			-	1,250,592
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ -</u>	<u>\$ 1,250,592</u>

The accompanying notes are an integral part of this schedule

**CITY OF WASHINGTON COURT HOUSE
FAYETTE COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Washington Court House (the City's) under programs of the federal government for the year ended December 31, 2020. The information on this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



**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 Court House, Ohio 43160

Members of 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2021, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions 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 financial statements. 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 City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Piketon, Ohio
June 29, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Members of City Council:

Report on Compliance for the Major Federal Program

We have audited the City of Washington Court House's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City of Washington Court House's major federal program for the year ended December 31, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

Management's Responsibility

The City's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Washington Court House complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



BHM CPA Group, Inc.
Piketon, Ohio
June 29, 2021

**CITY OF WASHINGTON COURT HOUSE
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Coronavirus Relief Fund CFDA #21.019
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF WASHINGTON COURT HOUSE

FAYETTE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/10/2021

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

This report is a matter of public record and is available online at
www.ohioauditor.gov