

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

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2014

TOM RILEY, FINANCE DIRECTOR



Dave Yost • Auditor of State

City Council
City of Washington Court House
105 North Main Street
Washington Court House, Ohio 43160

We have reviewed the *Independent Auditor's Report* of the City of Washington Court House, Fayette County, prepared by Julian & Grube, Inc., for the audit period January 1, 2014 through December 31, 2014. 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 "Dave Yost".

Dave Yost
Auditor of State

September 21, 2015

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Members of Council and Mayor:

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, as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the City of Washington Court House'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 of Washington Court House'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 of Washington Court House's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Washington Court House, Fayette County, Ohio, as of December 31, 2014, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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*, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2015, on our consideration of the City of Washington Court House'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 of Washington Court House's internal control over financial reporting and compliance.



Julian & Grube, Inc.
May 28, 2015

CITY OF WASHINGTON COURT HOUSE, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2014
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, 2014. 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, 2014 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 \$36,492,641.
- The City's total net position decreased during the year by \$366,864, or 1%.
- Total unrestricted net position was \$2,189,746.
- The City's total expenses were \$17,957,127, an increase of \$264,775.
- Program revenues of \$8,768,826 reduced the net cost of the City's functions to be financed from the City's general revenues to \$9,188,301.
- The City's unassigned fund balance of the General Fund totaled \$928,390 at year end, or 15% 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 three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 37 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund and Permanent Improvement Fund, which are considered to be major funds. Data from the other 35 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 2014 compared to 2013:

Table 1

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets:						
Current and Other Assets	\$ 7,942,353	\$ 7,942,141	\$ 1,714,695	\$ 2,025,182	\$ 9,657,048	\$ 9,967,323
Capital Assets, Net	<u>18,855,571</u>	<u>19,843,060</u>	<u>33,130,838</u>	<u>33,859,115</u>	<u>51,986,409</u>	<u>53,702,175</u>
Total Assets	<u>26,797,924</u>	<u>27,785,201</u>	<u>34,845,533</u>	<u>35,884,297</u>	<u>61,643,457</u>	<u>63,669,498</u>
Deferred outflow of resources	<u>-</u>	<u>-</u>	<u>146,998</u>	<u>176,398</u>	<u>146,998</u>	<u>176,398</u>
Liabilities:						
Current and Other Liabilities	683,878	642,471	593,824	626,189	1,277,702	1,268,660
Long-Term Liabilities:						
Due Within One Year	1,043,629	989,720	1,406,526	1,349,691	2,450,155	2,339,411
Due in More than One Year	<u>12,546,755</u>	<u>12,839,699</u>	<u>7,055,280</u>	<u>8,439,379</u>	<u>19,602,035</u>	<u>21,279,078</u>
Total Liabilities	<u>14,274,262</u>	<u>14,471,890</u>	<u>9,055,630</u>	<u>10,415,259</u>	<u>23,329,892</u>	<u>24,887,149</u>
Deferred inflow of resources	<u>1,967,922</u>	<u>2,099,242</u>	<u>-</u>	<u>-</u>	<u>1,967,922</u>	<u>2,099,242</u>
Net Position:						
Net investment in capital assets	6,031,662	6,897,546	24,669,157	24,138,566	30,700,819	31,036,112
Restricted	3,602,076	3,736,150	-	-	3,602,076	3,736,150
Unrestricted	<u>922,002</u>	<u>580,373</u>	<u>1,267,744</u>	<u>1,506,870</u>	<u>2,189,746</u>	<u>2,087,243</u>
Total Net Position	<u>\$ 10,555,740</u>	<u>\$ 11,214,069</u>	<u>\$25,936,901</u>	<u>\$25,645,436</u>	<u>\$ 36,492,641</u>	<u>\$ 36,859,505</u>

Total assets decreased by \$2,026,041, or 3%. Current and other assets decreased by approximately \$310,000, primarily from decreases in cash and investments in the business-type activities. Both water and sewer operations experienced decreases in revenue due to a wet summer and cool weather. Additionally, capital assets decreased due to depreciation expense exceeding capital additions during 2014.

Total liabilities decreased by \$1,557,257, or 6%. Long-term liabilities decreased by approximately \$1.6 million, with the City making its scheduled principal payments on its general obligation and revenue bonds, contributing to the net decrease in total liabilities.

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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 (84%) 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 (10%) represents resources that are subject to restrictions on how they can be used. The remaining balance of \$2,189,746, or 6%, which is unrestricted net position, may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position decreased from \$36,859,505 in 2013 to \$36,492,641 in 2014, a change of \$366,864 or 1%.

In order to further understand what makes up the changes in net position for the current year, Table 2 gives readers further details regarding the results of activities for 2013 and 2014.

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Table 2

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,719,736	\$ 1,567,610	\$ 5,350,896	\$ 5,613,945	\$ 7,070,632	\$ 7,181,555
Operating Grants/Contributions	301,113	435,179	-	-	301,113	435,179
Capital Grants/Contributions	1,259,768	568,602	137,313	-	1,397,081	568,602
General Revenues:						
Municipal Income Taxes	5,282,097	5,245,636	-	-	5,282,097	5,245,636
Property and Other Taxes	1,307,762	1,272,977	-	-	1,307,762	1,272,977
Payment in Lieu of Taxes	685,375	809,217	-	-	685,375	809,217
Intergovernmental	1,042,723	1,086,409	-	-	1,042,723	1,086,409
Grants and Entitlements	1,000	1,025	-	-	1,000	1,025
Investment Earnings	46,843	(8,490)	14,189	(6,241)	61,032	(14,731)
Other	303,748	334,231	137,700	99,273	441,448	433,504
Total Revenues	<u>11,950,165</u>	<u>11,312,396</u>	<u>5,640,098</u>	<u>5,706,977</u>	<u>17,590,263</u>	<u>17,019,373</u>
Program Expenses:						
Security of Person & Property	4,009,376	4,009,627	-	-	4,009,376	4,009,627
Public Health Services	310,035	321,652	-	-	310,035	321,652
Leisure Time Activities	27,046	6,784	-	-	27,046	6,784
Community Environment	2,388,833	1,623,669	-	-	2,388,833	1,623,669
Transportation	2,816,063	2,991,617	-	-	2,816,063	2,991,617
General Government	2,500,586	2,873,008	-	-	2,500,586	2,873,008
Interest and Fiscal Charges	556,555	583,764	-	-	556,555	583,764
Water	-	-	2,585,986	2,460,420	2,585,986	2,460,420
Sewer	-	-	2,762,647	2,821,811	2,762,647	2,821,811
Total Expenses	<u>12,608,494</u>	<u>12,410,121</u>	<u>5,348,633</u>	<u>5,282,231</u>	<u>17,957,127</u>	<u>17,692,352</u>
Change in Net Position	<u>\$ (658,329)</u>	<u>\$ (1,097,725)</u>	<u>\$ 291,465</u>	<u>\$ 424,746</u>	<u>\$ (366,864)</u>	<u>\$ (672,979)</u>

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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 93% of the total governmental activities. Security of Persons and Property, which accounts for 32% 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 20% 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 22% of the total, represents costs associated with streets and their upkeep. Community Environment, which accounts for 19% of the total, represents costs associated with developing and improving the downtown.

Funding for the most significant programs indicated is from income taxes, property taxes and intergovernmental. The income tax revenue for 2014 was \$5,282,097. Of the \$11,950,165 in total revenues, income tax accounts for 44% of that total. The property tax revenue and payments in lieu of property taxes for 2014 was \$1,993,137 or 17% of total revenues. The intergovernmental revenue for 2014 was \$1,042,723 or 9% of total revenue.

Total governmental activities revenue increased by approximately \$638,000, or 6%. The majority of these increases occurred in capital grants and contributions due to receipt of grant funding from the Ohio Public Works Commission for Leesburg Avenue improvements.

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 <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
Security of persons and property	\$ 4,009,376	\$ 4,009,376	\$ 4,009,627	\$ 4,009,627
Public health services	310,035	210,587	321,652	221,671
Leisure time activities	27,046	27,046	6,784	6,784
Community environment	2,388,833	2,149,833	1,623,669	1,362,669
Transportation	2,816,063	1,556,055	2,991,617	2,317,234
General government	2,500,586	818,425	2,873,008	1,336,981
Interest on long-term debt	<u>556,555</u>	<u>556,555</u>	<u>583,764</u>	<u>583,764</u>
Total Expenses	<u>\$ 12,608,494</u>	<u>\$ 9,327,877</u>	<u>\$ 12,410,121</u>	<u>\$ 9,838,730</u>

It should be noted that 26% of the costs of services for governmental activities are derived from program revenues including charges for services, operating grants, capital grants and other contributions. As shown by the total net costs of \$9,327,877, the majority of the City's programs are funded by general revenues. A significant portion of the total general revenues consists of income taxes and property taxes. Total expenses only increased by approximately \$198,000, or 2%.

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Business-Type Activities

The City's major business-type activities include water and sewer operations. The Water Fund's operating revenues were relatively consistent in 2014 of \$3,055,139, which is a decrease of \$88,162 from 2013, or 3%. The Sewer Fund had operating revenues in 2014 of \$2,433,457, a decrease of \$136,460 from 2013, or 5%. As mentioned previously, the City experienced a wet summer and cool weather that led to the decreases in revenue in both funds.

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 2014, the total fund balance for the General Fund was \$1,093,557 of which \$928,390 was unassigned. During the current year, the fund balance of the City's General Fund increased by \$167,502, or by 18%. Total revenue decreased by approximately 3% during the year, primarily due to the phase-out of estate taxes. However, this was anticipated by the City and budgeted accordingly that resulted in a 3% decrease in expenditures.

The Permanent Improvement Fund experienced a decrease in fund balance of 18% during the year by incurring costs on Leesburg Avenue improvements, street repaving, and purchase of equipment, vehicles and software.

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 \$476,405 or 5%, which was less than the prior year increase of \$679,824, due in part to increases in personnel expenses associated with retirement payouts. Additionally, the City increased the reimbursement rate the General Fund charged both proprietary funds, which also led to the net position in the Sewer Fund decreasing by \$184,940, or 1.2%.

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.

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For the General Fund, the original and final budgeted revenues were \$6,505,206 and \$6,527,206, respectively, an increase of \$22,000, or less than 1%. Actual revenues were \$6,203,431 due to lower than expected tax collections and lower fines, licenses and permits with the increase in unpaid fines.

For the General Fund, there were no changes to the original and final budgets. Actual expenditures were \$6,135,784, approximately \$390,000 less than the final budget due to scheduling adjustments with fire personnel, controlling of overtime used by police and fire, and lower utility costs due to wet summer and mild temperatures.

Capital Assets and Debt Administration

The City's net investment in capital assets for governmental and business-type activities as of December 31, 2014, amounts to \$30,700,819 (net of accumulated depreciation and related debt). This investment in capital assets includes land, construction in progress, buildings, improvements, equipment and infrastructure.

Total capital assets for governmental activities of the City of Washington Court House for the year 2014 were \$18,855,571 or \$987,489 less than in 2013. This decrease was due mainly to annual depreciation expense.

The decrease in capital assets for business-type activities of \$728,277 to \$33,130,838 as of December 31, 2014 was also due mainly to 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, 2014, the City of Washington Court House had \$20,722,911 in bonds, long-term notes, leases and loans outstanding with \$2,083,810 due within one year.

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

Revenue bonds in the Water Fund were refinanced during 2012 to receive a lower interest rate. In addition to the bonds, notes and loans, the City's long-term obligations include compensated absences and capital lease obligations. Additional information concerning the City's debt can be found in Note 7 of the notes to the basic financial statements.

Current Known Facts and Conditions

Despite a difficult national economy, the City does enjoy local economic stability and with a slight economic growth. Cuts in funding to local governments across the State have had a negative impact on the financial position of the City. Thus far, attrition of the City's workforce has helped to mitigate the full impact of these cuts. However, in the long-term, the City will need to reduce spending on basic services, like police and fire, or raise additional local revenues.

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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, 2014

	Governmental Activities	Business-Type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Equity in pooled cash and investments	\$ 3,126,370	\$ 976,359	\$ 4,102,729
Cash in segregated accounts	46,402	-	46,402
Receivables:			
Property taxes	1,123,019	-	1,123,019
Income taxes	1,870,459	-	1,870,459
Payment in lieu of taxes	936,380	-	936,380
Accounts	57,488	581,993	639,481
Loans, net	70,651	-	70,651
Interest	3,081	1,320	4,401
Intergovernmental	629,169	-	629,169
Prepaid items	23,144	79,716	102,860
Supplies inventory	56,190	75,307	131,497
Nondepreciable capital assets	3,353,213	1,198,935	4,552,148
Depreciable capital assets, net	<u>15,502,358</u>	<u>31,931,903</u>	<u>47,434,261</u>
Total assets	<u>26,797,924</u>	<u>34,845,533</u>	<u>61,643,457</u>
Deferred Outflows of Resources			
Deferred charges on refunding	<u>-</u>	<u>146,998</u>	<u>146,998</u>
Liabilities			
Accounts payable	104,190	57,394	161,584
Accrued wages payable	119,326	39,416	158,742
Intergovernmental payable	224,192	56,451	280,643
Matured compensated absences	82,291	-	82,291
Accrued interest payable	43,879	90,563	134,442
Notes payable	110,000	350,000	460,000
Noncurrent liabilities:			
Due within one year	1,043,629	1,406,526	2,450,155
Due in more than one year	<u>12,546,755</u>	<u>7,055,280</u>	<u>19,602,035</u>
Total liabilities	<u>14,274,262</u>	<u>9,055,630</u>	<u>23,329,892</u>
Deferred Inflows of Resources			
Property taxes and payment in lieu taxes	<u>1,967,922</u>	<u>-</u>	<u>1,967,922</u>
Net Position			
Net investment in capital assets	6,031,662	24,669,157	30,700,819
Restricted for:			
Capital projects	1,215,878	-	1,215,878
Debt service	950,929	-	950,929
Other purposes	1,435,269	-	1,435,269
Unrestricted	<u>922,002</u>	<u>1,267,744</u>	<u>2,189,746</u>
Total net position	<u>\$ 10,555,740</u>	<u>\$ 25,936,901</u>	<u>\$ 36,492,641</u>

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Activities

Year Ended December 31, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental activities:							
Security of persons and property	\$ 4,009,376	\$ -	\$ -	\$ -	\$ (4,009,376)	\$ -	\$ (4,009,376)
Public health services	310,035	99,448	-	-	(210,587)	-	(210,587)
Leisure time activities	27,046	-	-	-	(27,046)	-	(27,046)
Community environment	2,388,833	-	239,000	-	(2,149,833)	-	(2,149,833)
Transportation	2,816,063	240	-	1,259,768	(1,556,055)	-	(1,556,055)
General government	2,500,586	1,620,048	62,113	-	(818,425)	-	(818,425)
Interest on long-term debt	556,555	-	-	-	(556,555)	-	(556,555)
Total governmental activities	<u>12,608,494</u>	<u>1,719,736</u>	<u>301,113</u>	<u>1,259,768</u>	<u>(9,327,877)</u>	<u>-</u>	<u>(9,327,877)</u>
Business-type activities:							
Water	2,585,986	2,977,897	-	-	-	391,911	391,911
Sewer	2,762,647	2,372,999	-	137,313	-	(252,335)	(252,335)
Total business-type activities	<u>5,348,633</u>	<u>5,350,896</u>	<u>-</u>	<u>137,313</u>	<u>-</u>	<u>139,576</u>	<u>139,576</u>
Total	<u>\$ 17,957,127</u>	<u>\$ 7,070,632</u>	<u>\$ 301,113</u>	<u>\$ 1,397,081</u>	<u>(9,327,877)</u>	<u>139,576</u>	<u>(9,188,301)</u>
General revenues:							
Taxes:							
Income taxes					5,282,097	-	5,282,097
Property taxes					1,307,762	-	1,307,762
Payment in lieu of taxes					685,375	-	685,375
Intergovernmental					1,042,723	-	1,042,723
Grants and contributions not restricted to specific programs					1,000	-	1,000
Investment earnings					46,843	14,189	61,032
Miscellaneous					303,748	137,700	441,448
Total general revenues					<u>8,669,548</u>	<u>151,889</u>	<u>8,821,437</u>
Change in net position					(658,329)	291,465	(366,864)
Net position beginning of year					<u>11,214,069</u>	<u>25,645,436</u>	<u>36,859,505</u>
Net position end of year					<u>\$ 10,555,740</u>	<u>\$ 25,936,901</u>	<u>\$ 36,492,641</u>

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO

Balance Sheet

Governmental Funds

December 31, 2014

	General Fund	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 645,278	\$ 521,480	\$ 1,959,612	\$ 3,126,370
Cash in segregated accounts	28,241	-	18,161	46,402
Receivables:				
Property taxes	348,378	-	774,641	1,123,019
Income taxes	1,289,972	322,587	257,900	1,870,459
Payment in lieu of taxes	-	-	936,380	936,380
Accounts	34,762	-	22,726	57,488
Loans, net	-	-	70,651	70,651
Interest	3,081	-	-	3,081
Intergovernmental	247,718	-	381,451	629,169
Prepays	20,239	-	2,905	23,144
Supplies inventory	-	-	56,190	56,190
Total assets	<u>2,617,669</u>	<u>844,067</u>	<u>4,480,617</u>	<u>7,942,353</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:				
Liabilities:				
Accounts payable	48,351	27,663	28,176	104,190
Notes payable	-	-	110,000	110,000
Accrued wages payable	97,053	4,256	18,017	119,326
Matured compensated absences payable	65,785	-	16,506	82,291
Intergovernmental payable	188,651	5,144	30,397	224,192
Total liabilities	<u>399,840</u>	<u>37,063</u>	<u>203,096</u>	<u>639,999</u>
Deferred Inflows of Resources:				
Property taxes and payment in lieu taxes	320,000	-	1,647,922	1,967,922
Unavailable revenue	804,272	148,747	531,523	1,484,542
Total deferred inflows of resources	<u>1,124,272</u>	<u>148,747</u>	<u>2,179,445</u>	<u>3,452,464</u>
Fund Balances:				
Nonspendable	20,239	-	59,095	79,334
Restricted	-	658,257	2,080,373	2,738,630
Committed	-	-	57,960	57,960
Assigned	144,928	-	-	144,928
Unassigned	928,390	-	(99,352)	829,038
Total fund balances	<u>1,093,557</u>	<u>658,257</u>	<u>2,098,076</u>	<u>3,849,890</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,617,669</u>	<u>\$ 844,067</u>	<u>\$ 4,480,617</u>	<u>\$ 7,942,353</u>

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2014

Total governmental fund balances	\$	3,849,890
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		18,855,571
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		862,479
Intergovernmental and other receivables		529,475
Interest		1,111
Delinquent property taxes		91,477
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		(11,430,000)
Unamortized bond premiums		(187,801)
Lease/purchase agreement		(259,303)
Compensated absences		(876,475)
Accrued interest on long-term debt		(43,879)
OPWC loan		<u>(836,805)</u>
Net position of governmental activities	\$	<u>10,555,740</u>

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended December 31, 2014

	General Fund	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 325,303	\$ -	\$ 966,240	\$ 1,291,543
Municipal income taxes	3,643,462	911,187	728,370	5,283,019
Intergovernmental	576,870	681,444	1,111,013	2,369,327
Charges for services	1,045,409	-	99,448	1,144,857
Fines, licenses and permits	415,534	-	389,748	805,282
Interest	46,391	-	482	46,873
Payment in lieu of taxes	-	-	685,375	685,375
Other	222,271	18,731	66,833	307,835
Total revenues	<u>6,275,240</u>	<u>1,611,362</u>	<u>4,047,509</u>	<u>11,934,111</u>
Expenditures:				
Current:				
Security of persons and property	3,293,903	-	383,786	3,677,689
Public health services	34,750	-	260,030	294,780
Leisure time activities	18,055	-	-	18,055
Community environment	822,112	-	840,464	1,662,576
Transportation	-	-	938,642	938,642
General government	1,938,918	-	482,039	2,420,957
Capital outlay	-	2,214,181	-	2,214,181
Debt service:				
Principal retirement	-	113,436	610,000	723,436
Interest and fiscal charges	-	47,340	521,939	569,279
Total expenditures	<u>6,107,738</u>	<u>2,374,957</u>	<u>4,036,900</u>	<u>12,519,595</u>
Excess of revenues over (under) expenditures	<u>167,502</u>	<u>(763,595)</u>	<u>10,609</u>	<u>(585,484)</u>
Other financing sources:				
Issuance of notes	-	622,450	-	622,450
Total other financing sources	<u>-</u>	<u>622,450</u>	<u>-</u>	<u>622,450</u>
Net change in fund balance	167,502	(141,145)	10,609	36,966
Fund balance, beginning of year	926,055	799,402	2,087,467	3,812,924
Fund balance, end of year	<u>\$ 1,093,557</u>	<u>\$ 658,257</u>	<u>\$ 2,098,076</u>	<u>\$ 3,849,890</u>

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Year Ended December 31, 2014

Net change in fund balances - total governmental funds	\$	36,966
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
Capital outlay	1,399,652	
Depreciation expense	<u>(2,386,927)</u>	(987,275)
In the statement of activities, loss on disposal of capital assets is reported whereas only proceeds from sales are reported in the funds.		
		(214)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Income taxes receivable	(922)	
Intergovernmental and other receivables	35,787	
Interest	(30)	
Delinquent property taxes	<u>16,219</u>	51,054
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	127,430	
Amortization of bond premiums	<u>10,619</u>	138,049
The issuance of a note is recorded as other financing sources in the governmental funds, but is recorded as a long-term liability on the statement of net position.		
		(622,450)
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due.		
		2,105
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.		
		<u>723,436</u>
Change in net position of governmental activities	\$	<u>(658,329)</u>

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual - Budget (Non-GAAP) Basis

General Fund

Year Ended December 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance From Final <u>Budget</u>
Revenues:				
Property and other taxes	\$ 350,000	\$ 350,000	\$ 325,303	\$ (24,697)
Municipal income taxes	3,690,000	3,690,000	3,622,791	(67,209)
Intergovernmental	664,000	664,000	576,253	(87,747)
Charges for services	1,092,566	1,035,566	1,045,409	9,843
Fines, licenses and permits	511,000	511,000	386,090	(124,910)
Interest	30,000	30,000	25,314	(4,686)
Other	<u>167,640</u>	<u>246,640</u>	<u>222,271</u>	<u>(24,369)</u>
Total revenues	<u>6,505,206</u>	<u>6,527,206</u>	<u>6,203,431</u>	<u>(323,775)</u>
Expenditures:				
Current:				
Security of persons and property	3,514,044	3,514,044	3,345,205	168,839
Public health services	35,000	35,000	34,750	250
Leisure time activities	26,600	26,600	18,315	8,285
Community environment	853,998	853,998	799,524	54,474
General government	<u>2,096,603</u>	<u>2,096,603</u>	<u>1,937,990</u>	<u>158,613</u>
Total expenditures	<u>6,526,245</u>	<u>6,526,245</u>	<u>6,135,784</u>	<u>390,461</u>
Net change in fund balance	(21,039)	961	67,647	66,686
Fund balance, beginning of year	485,937	485,937	485,937	-
Prior year encumbrances appropriated	<u>53,498</u>	<u>53,498</u>	<u>53,498</u>	<u>-</u>
Fund balance, end of year	<u>\$ 518,396</u>	<u>\$ 540,396</u>	<u>\$ 607,082</u>	<u>\$ 66,686</u>

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Net Position

Proprietary Funds

December 31, 2014

	Enterprise Funds			Totals
	Water	Sewer	Nonmajor Enterprise Fund	
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 749,998	\$ 226,222	\$ 139	\$ 976,359
Receivables:				
Accounts	314,994	266,999	-	581,993
Interest	660	660	-	1,320
Prepaid Items	40,925	38,791	-	79,716
Supplies inventory	75,307	-	-	75,307
Total current assets	<u>1,181,884</u>	<u>532,672</u>	<u>139</u>	<u>1,714,695</u>
Noncurrent assets:				
Nondepreciable capital assets	936,721	262,214	-	1,198,935
Depreciable capital assets, net	<u>13,498,624</u>	<u>18,433,279</u>	-	<u>31,931,903</u>
Total noncurrent assets	<u>14,435,345</u>	<u>18,695,493</u>	-	<u>33,130,838</u>
Total assets	<u>15,617,229</u>	<u>19,228,165</u>	<u>139</u>	<u>34,845,533</u>
Deferred outflows of resources				
Deferred charge on refunding	<u>146,998</u>	-	-	<u>146,998</u>
Liabilities				
Current Liabilities:				
Accounts payable	33,918	23,476	-	57,394
Accrued wages payable	19,822	19,594	-	39,416
Intergovernmental payable	28,179	28,272	-	56,451
Accrued interest payable	40,409	50,154	-	90,563
Notes payable	-	350,000	-	350,000
Loans payable	212,792	380,541	-	593,333
Compensated absences payable	61,393	41,800	-	103,193
Revenue bonds payable	<u>710,000</u>	-	-	<u>710,000</u>
Total current liabilities	<u>1,106,513</u>	<u>893,837</u>	-	<u>2,000,350</u>
Noncurrent liabilities:				
Compensated absences payable	68,184	31,750	-	99,934
Loans payable	1,350,412	2,548,058	-	3,898,470
Revenue bonds payable	<u>3,056,876</u>	-	-	<u>3,056,876</u>
Total noncurrent liabilities	<u>4,475,472</u>	<u>2,579,808</u>	-	<u>7,055,280</u>
Total liabilities	<u>5,581,985</u>	<u>3,473,645</u>	-	<u>9,055,630</u>
Net Position				
Net investment in capital assets	9,252,263	15,416,894	-	24,669,157
Unrestricted	<u>929,979</u>	<u>337,626</u>	<u>139</u>	<u>1,267,744</u>
Total net position	<u>\$ 10,182,242</u>	<u>\$ 15,754,520</u>	<u>\$ 139</u>	<u>\$ 25,936,901</u>

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2014

	Enterprise Funds			Totals
	Water	Sewer	Nonmajor Enterprise Fund	
Operating revenues:				
Charges for services	\$ 2,977,897	\$ 2,372,999	\$ -	\$ 5,350,896
Other	77,242	60,458	-	137,700
Total operating revenues	<u>3,055,139</u>	<u>2,433,457</u>	<u>-</u>	<u>5,488,596</u>
Operating expenses:				
Personnel services	1,093,579	986,501	-	2,080,080
Contractual services	398,748	541,973	-	940,721
Supplies and materials	191,405	173,878	-	365,283
Other	445,844	416,646	-	862,490
Depreciation	281,763	532,477	-	814,240
Total operating expenses	<u>2,411,339</u>	<u>2,651,475</u>	<u>-</u>	<u>5,062,814</u>
Operating income (loss)	643,800	(218,018)	-	425,782
Non-operating revenues (expenses):				
Investment earnings	7,252	6,937	-	14,189
Interest expense and fiscal charges	(174,647)	(111,172)	-	(285,819)
Total non-operating revenues (expenses)	<u>(167,395)</u>	<u>(104,235)</u>	<u>-</u>	<u>(271,630)</u>
Income (loss) before contribution	476,405	(322,253)	-	154,152
Capital contribution	-	137,313	-	137,313
Change in net position	476,405	(184,940)	-	291,465
Net position, beginning of year	<u>9,705,837</u>	<u>15,939,460</u>	<u>139</u>	<u>25,645,436</u>
Net position, end of year	<u>\$ 10,182,242</u>	<u>\$ 15,754,520</u>	<u>\$ 139</u>	<u>\$ 25,936,901</u>

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2014

	Enterprise Funds			Totals
	Water	Sewer	Nonmajor Enterprise Fund	
Cash flows from operating activities:				
Cash received from customers	\$ 2,983,661	\$ 2,386,775	\$ -	\$ 5,370,436
Cash payments for employee services and benefits	(1,121,186)	(1,007,975)	-	(2,129,161)
Cash payments to suppliers for goods and services	(584,866)	(729,125)	-	(1,313,991)
Cash payments for other operating expenses	(448,620)	(416,646)	-	(865,266)
Cash received from other operating revenue	<u>77,242</u>	<u>60,458</u>	-	<u>137,700</u>
Net cash from operating activities	<u>906,231</u>	<u>293,487</u>	-	<u>1,199,718</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(1,099)	(85,854)	-	(86,953)
Capital grants	-	137,313	-	137,313
Principal paid on sewer note	-	(8,325)	-	(8,325)
Proceeds from notes and bonds	-	350,000	-	350,000
Principal payments on bonds and loans	(903,769)	(713,798)	-	(1,617,567)
Interest paid on bonds and loans	<u>(163,253)</u>	<u>(117,411)</u>	-	<u>(280,664)</u>
Net cash from capital and related financing activities	<u>(1,068,121)</u>	<u>(438,075)</u>	-	<u>(1,506,196)</u>
Cash flows from investing activities:				
Interest	<u>7,326</u>	<u>7,011</u>	-	<u>14,337</u>
Net change	(154,564)	(137,577)	-	(292,141)
Cash and pooled investments beginning of year	<u>904,562</u>	<u>363,799</u>	<u>139</u>	<u>1,268,500</u>
Cash and pooled investments end of year	<u>\$ 749,998</u>	<u>\$ 226,222</u>	<u>\$ 139</u>	<u>\$ 976,359</u>
Reconciliation of operating income (loss) to net cash from operating activities:				
Operating income (loss)	\$ 643,800	\$ (218,018)	\$ -	\$ 425,782
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	281,763	532,477	-	814,240
Loss on disposal of assets	990	-	-	990
Changes in assets and liabilities:				
Receivables	5,764	13,776	-	19,540
Prepaid items	(8,599)	7,998	-	(601)
Supplies inventory	(741)	-	-	(741)
Accounts payable	10,861	(21,272)	-	(10,411)
Accrued wages	(173)	(575)	-	(748)
Intergovernmental payable	(4,056)	(5,281)	-	(9,337)
Compensated absences payable	<u>(23,378)</u>	<u>(15,618)</u>	-	<u>(38,996)</u>
Net cash from operating activities	<u>\$ 906,231</u>	<u>\$ 293,487</u>	<u>\$ -</u>	<u>\$ 1,199,718</u>

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Net Position

Fiduciary Funds

December 31, 2014

	Private- Purpose Trust Fund	Agency Funds
<i>Assets</i>		
Equity in pooled cash and cash equivalents	\$ 18,635	\$ 37,586
Cash in segregated accounts	<u>-</u>	<u>42,093</u>
Total assets	<u>18,635</u>	<u>79,679</u>
<i>Liabilities</i>		
Intergovernmental payable	-	28,264
Deposits held and due to others	<u>-</u>	<u>51,415</u>
Total liabilities	<u>-</u>	<u>\$ 79,679</u>
<i>Net Position</i>		
Held in trust	<u>\$ 18,635</u>	

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO

Statement of Changes in Net Position

Fiduciary Fund

Year Ended December 31, 2014

	<u>Private- Purpose Trust Fund</u>
<i>Additions:</i>	
Miscellaneous	\$ 2,086
Total additions	<u>2,086</u>
 Change in net position	 2,086
 Net position, beginning of year	 <u>16,549</u>
Net position, end of year	<u>\$ 18,635</u>

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

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, 2014

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

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

Fund Financial Statements

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

Fund Accounting

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

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

- ***General Fund*** – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.
- ***Permanent Improvement Fund*** – The Permanent Improvement Fund is used to account for income taxes, grants, and loan proceeds used for various improvements of the City.

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

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

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

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

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

Measurement Focus

Governmental-Wide Financial Statements

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

Fund Financial Statements

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

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

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

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

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, the recording of deferred inflows of resources 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 Inflows of Resources

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 as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and payments in lieu of taxes that represent amounts that are measurable as of December 31, 2014, but are intended to finance 2015 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).

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

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

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.

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.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

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

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 2014.

Reconciliation of Budget Basis to GAAP Basis

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

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

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

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

Net change in fund balance - GAAP Basis	\$ 167,502
Increase / (decrease):	
Due to revenues	(71,809)
Due to expenditures	11,202
Due to encumbrances	<u>(39,248)</u>
Net change in fund balance - Budget Basis	\$ <u>67,647</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

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

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 2014, the City's funds were invested in interest bearing demand accounts and certificates of deposit with commercial banks, money market accounts, the State Treasury Assets Reserve of Ohio (STAR Ohio), U.S. agencies securities and Series HH bonds. For purposes of the statement of cash flows, the enterprise funds' portion of cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from the enterprise funds without prior notice or penalty.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2014.

Receivables

Receivables at December 31, 2014 consist of property and income taxes, payments in lieu of taxes, interest, consumer accounts (billings for user charged services, included unbilled utility services), loans and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full, except as noted below, including accounts receivables which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

Loans receivable in the Nonmajor Governmental Funds represent low interest loans made by the City for community development projects and small businesses under the Community Development Block Grants (CDBG) program. The loans bear interest at annual rates ranging from 2 to 6 percent. The loans are to be repaid over periods ranging from 10 to 20 years. The City maintained an allowance at December 31, 2014 of \$20,415 for doubtful collections.

Inventories

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and the expenditure/expense in the year in which the services are consumed.

Capital Assets

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

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

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

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

Interest is capitalized on proprietary fund capital assets acquired with tax-exempt debt. There was no interest required to be capitalized during the 2014 fiscal year.

Compensated Absences

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

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

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

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

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.

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.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

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

Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents 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. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide and proprietary statements of financial position. 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.

Fund Balances

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

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

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

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

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

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

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

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 \$3,602,076 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.

Reclassifications

The City reclassified certain beginning accumulated depreciation balances within the business-type activity category to conform to the current year presentation. There was no change to amounts in total.

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.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS – *continued*

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

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

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

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS - *continued*

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). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end, the carrying amount of the City's deposits was \$1,078,293 and the bank balance was \$1,102,341. The City's bank balance was covered by FDIC and collateralized with securities held by the pledging financial institution's trust department or agent, respectively.

Investments: The City's investments at December 31, 2014 are summarized as follows:

	<u>Fair Value</u>	Weighted Average <u>Maturity (Years)</u>	<u>Concentration of Credit Risk</u>
FFCB	\$ 718,526	3.13	22.68%
FHLMC	991,707	3.12	31.29%
Negotiable Certificates of Deposit	1,013,073	1.13	31.97%
STAROhio	28,659	-	0.90%
Series HH Bonds	6,000	-	0.19%
Money Markets	<u>411,187</u>	-	<u>12.97%</u>
	<u>\$ 3,169,152</u>		<u>100.00%</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS - *continued*

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

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a failure of a counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment securities are registered in the name of the City. The City's investment policy does not address custodial credit risk.

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

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2014 for real and public utility property taxes represents collections of 2013 taxes.

2014 real property taxes are levied after October 1, 2014 on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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

Public utility tangible personal property current is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes, which became a lien December 31, 2013 are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The Fayette County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Washington Court House. The County Auditor periodically remits to the City its portion of the taxes collected. The assessed value upon which the 2014 taxes were collected was \$210,213,170. The full tax rate for all City operations applied for real property for fiscal year ended December 31, 2014 was \$9.35 per \$1,000 of assessed valuation. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Accrued property taxes receivable represents delinquent taxes outstanding and real tangible personal and public utility taxes which were measurable as of December 31, 2014. 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 2014 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, 2014

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.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	<u>Balance</u> <u>1/1/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/14</u>
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$ 1,078,475	\$ -	\$ -	\$ 1,078,475
Construction in progress	996,666	1,318,344	(40,272)	2,274,738
<i>Total Nondepreciable Capital Assets</i>	<u>2,075,141</u>	<u>1,318,344</u>	<u>(40,272)</u>	<u>3,353,213</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	510,160	4,975	-	515,135
Buildings and Improvements	9,430,598	-	-	9,430,598
Equipment and Vehicles	5,439,746	116,605	(490)	5,555,861
Infrastructure	51,110,435	-	-	51,110,435
<i>Total Depreciable Capital Assets</i>	<u>66,490,939</u>	<u>121,580</u>	<u>(490)</u>	<u>66,612,029</u>
<i>Accumulated Depreciation:</i>				
Land Improvements	(488,551)	(6,633)	-	(495,184)
Buildings and Improvements	(1,211,346)	(211,448)	-	(1,422,794)
Equipment and Vehicles	(3,934,208)	(301,059)	276	(4,234,991)
Infrastructure	(43,088,915)	(1,867,787)	-	(44,956,702)
<i>Total Accumulated Depreciation</i>	<u>(48,723,020)</u>	<u>(2,386,927)</u>	<u>276</u>	<u>(51,109,671)</u>
<i>Total Govt Activities Capital Assets, Net</i>	<u>\$ 19,843,060</u>	<u>\$ (947,003)</u>	<u>\$ (40,486)</u>	<u>\$ 18,855,571</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

NOTE 6 - CAPITAL ASSETS – continued

Depreciation expense was charged to governmental functions as follows:

Security of Persons and Property	\$	368,122
Leisure Time Activities		8,991
Public Health		16,683
Transportation		1,918,407
General Government		<u>74,724</u>
Total Depreciation Expense	\$	<u><u>2,386,927</u></u>

	<u>Balance</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance</u>
	<u>1/1/14</u>						<u>12/31/14</u>
Business Type Activities:							
<i>Nondepreciable Capital Assets:</i>							
Land	\$ 1,198,935	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,198,935
<i>Total Nondepreciable Capital Assets</i>	<u>1,198,935</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,198,935</u>
<i>Depreciable Capital Assets:</i>							
Land Improvements	748,769	-	-	(112,900)	-	-	635,869
Buildings and Improvements	26,565,018	76,771	-	-	-	-	26,641,789
Equipment and Vehicles	2,849,080	10,182	-	(5,970)	-	-	2,853,292
Infrastructure	22,424,022	-	-	-	-	-	22,424,022
<i>Total Depreciable Capital Assets</i>	<u>52,586,889</u>	<u>86,953</u>	<u>-</u>	<u>(118,870)</u>	<u>-</u>	<u>-</u>	<u>52,554,972</u>
<i>Accumulated Depreciation:</i>							
Land Improvements	(731,200)	(7,027)	-	112,900	-	-	(625,327)
Buildings and Improvements	(9,201,213)	(301,476)	-	-	-	-	(9,502,689)
Equipment and Vehicles	(2,718,426)	(20,089)	-	4,980	-	-	(2,733,535)
Infrastructure	(7,275,870)	(485,648)	-	-	-	-	(7,761,518)
<i>Total Accumulated Depreciation</i>	<u>(19,926,709)</u>	<u>(814,240)</u>	<u>-</u>	<u>117,880</u>	<u>-</u>	<u>-</u>	<u>(20,623,069)</u>
<i>Total Bus. Activities Capital Assets, Net</i>	<u>\$ 33,859,115</u>	<u>\$ (727,287)</u>	<u>\$ -</u>	<u>\$ (990)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,130,838</u>

Depreciation expense was charged to segments as follows:

Water	\$	281,763
Sewer		<u>532,477</u>
Total Depreciation Expense	\$	<u><u>814,240</u></u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

NOTE 7 - LONG-TERM LIABILITIES

The changes in the City's long-term liabilities for the year ended December 31, 2014 were as follows:

	<u>Balance at 1/1/14</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at 12/31/14</u>	<u>Amount Due Within One Year</u>
<i>Governmental Activities:</i>					
Various Purpose 2007 GO Bonds:					
Note Refinancing	\$ 1,670,000	-	(85,000)	1,585,000	90,000
Safety Services	5,660,000	-	(365,000)	5,295,000	380,000
Tax Increment Financing	2,855,000	-	(95,000)	2,760,000	100,000
Premium on Series 2007	170,059	-	(8,950)	161,109	-
Various Purpose 2011 Refunding GO Bonds:					
Road Way Improvement	685,000	-	(30,000)	655,000	35,000
Refunding	370,000	-	(35,000)	335,000	40,000
Fire Apparatus	840,000	-	(40,000)	800,000	40,000
Premium on Series 2011	28,361	-	(1,669)	26,692	-
Lease/Purchase Agreement	320,831	-	(61,528)	259,303	62,820
OPWC Loans	226,263	622,450	(11,908)	836,805	32,657
Compensated Absences Payable	1,003,905	251,908	(379,338)	876,475	263,152
<i>Total Governmental Activities</i>	<u>\$ 13,829,419</u>	<u>874,358</u>	<u>(1,113,393)</u>	<u>13,590,384</u>	<u>1,043,629</u>

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

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

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

The City periodically receives interest-free loans from the Ohio Public Works Commission (OPWC). In 2009, the OPWC issued a loan of \$238,172 for traffic signal upgrades that will be repaid in 2032. In 2014, the OPWC issued a loan of \$622,450 for Leesburg Avenue reconstruction that will be repaid in 2044.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

NOTE 7 - LONG-TERM LIABILITIES – *continued*

	Balance at 1/1/14	Issued	Retired	Balance at 12/31/14	Amount Due Within One Year
<i>Business Type Activities:</i>					
Water System Bonds:					
Series 2012 Revenue Refunding \$	4,405,000	-	(700,000)	3,705,000	710,000
Premium on Series 2012	74,252	-	(12,376)	61,876	-
OWDA Sewer Loan	3,288,239	-	(363,798)	2,924,441	376,383
OWDA Water Loan	1,766,973	-	(203,769)	1,563,204	212,792
Sewer Issue II Note	12,483	-	(8,325)	4,158	4,158
Compensated Absences Payable	242,123	170,751	(209,747)	203,127	103,193
<i>Total Business Type Activities</i>	\$ 9,789,070	170,751	(1,498,015)	8,461,806	1,406,526

The Sewer Issue II note payable matures in 2015 and is non-interest bearing and will be repaid from the Sewer Fund.

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

In connection with the revenue bonds listed above, the City has pledged future customer revenues, net of specified operating expenses, to repay this debt. Pledged revenues of a given year may also include specified portions of cash balances carried over from the prior year. The bonds are payable, through their final maturities, solely from net revenues applicable to the Water Fund. In 2014, the Water Fund reported \$925,563 of net pledged revenues for coverage of annual debt service of \$1,067,022. The remaining debt service for these bonds at December 31, 2014 was \$3,930,200.

The Ohio Water Development Authority loans were made for the purpose of improving the City's water and wastewater treatment facilities. Property and revenue of the Water and Sewer Funds have been pledged to repay these debts. The loans mature in 2021 and carry interest rates of 3.43% and 4.38%. Each of these OWDA loans will be repaid from Water Fund and Sewer Fund revenues.

In connection with the OWDA loans listed above, the City has pledged future customer revenues of the Water and Sewer Funds, net of specified operating expenses and net of debt service requirements on revenue bonds (which have first priority and a lien on net income available for debt service), to repay this debt. The loans are payable, through their final maturities, from net revenues applicable to the Water and Sewer Funds. Total interest and principal remaining to be paid on these loans is \$5,127,657.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

NOTE 7 - LONG-TERM LIABILITIES – *continued*

Principal and interest requirements to retire the City’s governmental activities’ outstanding notes and bonds as of December 31, 2014, are as follows:

	<u>Series 2007 Bonds</u>		<u>Series 2011 Bonds</u>		<u>OPWC</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2015	\$ 570,000	\$ 455,281	\$ 115,000	\$ 71,260	\$ 32,657
2016	595,000	431,056	115,000	68,385	32,657
2017	625,000	405,769	115,000	65,510	32,657
2018	655,000	374,519	120,000	62,060	32,657
2019	680,000	347,500	125,000	58,460	32,658
2020-2024	3,950,000	1,199,150	530,000	225,665	163,283
2025-2029	1,935,000	337,075	545,000	114,900	163,283
2030-2034	630,000	57,600	125,000	6,250	139,471
2035-2039	-	-	-	-	103,741
2040-2044	-	-	-	-	103,741
Total	<u>\$ 9,640,000</u>	<u>\$ 3,607,950</u>	<u>\$1,790,000</u>	<u>\$ 672,490</u>	<u>\$ 836,805</u>

Principal and interest requirements to retire the City’s business-type activities’ outstanding notes, bonds, and loans as of December 31, 2014, are as follows:

	<u>Issue II</u>	<u>Water Revenue Bonds</u>		<u>OWDA Loans</u>	
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 4,158	\$ 710,000	\$ 74,100	\$ 589,175	\$ 163,271
2016	-	730,000	59,900	611,619	140,828
2017	-	740,000	45,300	634,929	117,519
2018	-	755,000	30,500	659,141	93,307
2019	-	770,000	15,400	684,291	68,157
2020-2021	-	-	-	1,308,490	56,930
Total	<u>\$ 4,158</u>	<u>\$3,705,000</u>	<u>\$ 225,200</u>	<u>\$ 4,487,645</u>	<u>\$ 640,012</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

NOTE 8 - SHORT-TERM OBLIGATIONS

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

	<u>Issue Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>					
Court Special Project BAN - 2.5%	12/19/2013	\$ 120,000	-	120,000	-
Court Special Project BAN - 1.5%	12/18/2014	-	110,000	-	110,000
		<u>\$ 120,000</u>	<u>110,000</u>	<u>120,000</u>	<u>110,000</u>
<u>Business-Type Activities:</u>					
Wastewater Treatment System BAN - 2.5%	12/19/2013	\$ 350,000	-	350,000	-
Wastewater Treatment System BAN - 1.5%	12/18/2014	-	350,000	-	350,000
		<u>\$ 350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>

The City issued \$470,000 in various purpose bond anticipation notes on December 19, 2013. \$350,000 of the notes was issued to pay for engineering costs related to the sewer treatment plant and was paid with user fees of the Sewer Fund. The other \$120,000 was issued to pay for court related equipment and was paid with court fees from the Court Special Project Fund. On December 18, 2014, the City issued bond anticipation notes in the amount of \$460,000 that provided funding to rollover the bond anticipation notes issued in December 2013.

NOTE 9 - CAPITAL LEASES

The City previously entered into a lease agreement for energy-saving equipment of \$610,000. The energy-saving equipment was scheduled to be repaid over ten years and has four years remaining. This lease obligation meets the criteria of a capital lease as defined by GASB Statement No. 62, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the governmental funds.

The following is a schedule of the future minimum lease payments for the capital lease, and the present value of the future minimum lease payments at December 31, 2014:

<u>Year Ending December 31</u>	
2015	\$ 73,710
2016	72,391
2017	71,044
2018	<u>69,669</u>
Total Future Minimum Lease Payments	286,814
Less: Amount Representing Interest	<u>27,511</u>
Present Value of Future Minimum Lease Payments	<u>\$ 259,303</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

NOTE 10 - PENSION PLANS

Both the Ohio Police and Firemen's Disability and Pension Fund and the Ohio Public Employees Retirement System are reported using GASB Statement No. 27 "Accounting for Pensions by State and Local Governmental Employers". Substantially all City employees are covered by one of the two cost-sharing multiple-employer defined benefit pension plans, namely, the Police and Firemen's Disability and Pension Fund or the Ohio Public Employees Retirement System of Ohio (OPERS). Both funds provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries

Ohio Public Employees Retirement System

The City participates 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member Directed Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, OH 43215-4642, by visiting <https://www.opers.org/investments/cafr.shtml>, or by calling (614) 222-6705 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rates were 10% of their annual salary for members in state and local classifications. The City was required to contribute 14% of covered payroll for employees. The City's required contributions to OPERS for the years ended December 31, 2014, 2013, and 2012 were approximately \$523,000, \$527,000 and \$529,000, respectively; 87% has been contributed for 2014 and 100% for 2013 and 2012.

Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to Ohio Police & Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164 or on OP&F's website at www.op-f.org.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

NOTE 10 - PENSION PLANS - continued

From January 1, 2014 thru July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 thru December 31, 2014, plan member were required to contribution 11.5% of their annual covered salary. Throughout 2014, employers were required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to OP&F the fund for police and firefighters, respectively were approximately \$233,000 and \$206,000 for the year ended December 31, 2014, \$230,000 and \$198,000 for the year ended December 31, 2013, and \$221,000 and \$214,000 for the year ended December 31, 2012. 88% has been contributed for police officers for 2014 and 100% for police officers for 2013 and 2012. 93% has been contributed for firefighters for 2014 and 100% for fire for 2013 and 2012.

NOTE 11 - POSTEMPLOYMENT BENEFITS

Statement 45 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting by Employers for Post-employment benefits other than Pension*, establishes standards for disclosure information for postemployment benefits other than pension benefits. Both OPERS and OP&F have post-employment benefits that meet the definition as described in GASB Statement 45.

Ohio Public Employees Retirement System

OPERS maintains a cost-sharing multiple employer defined benefit postemployment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

In order to qualify for postemployment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for postemployment health care coverage changed for those retiring on and after January 1, 2015.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14% of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

NOTE 11 - POSTEMPLOYMENT BENEFITS – *continued*

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care will remain at 2.0% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's contributions for 2014, 2013 and 2012 which were used to fund postemployment benefits were approximately \$75,000, \$38,000 and \$151,000, respectively; 87% has been contributed for 2014 and 100% for 2013 and 2012.

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

Ohio Police and Fire Pension Fund

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

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

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

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 payroll of active pension members, currently 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Service Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

NOTE 11 - POSTEMPLOYMENT BENEFITS – *continued*

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contribution allocated to health care plan was 0.5% throughout 2014. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The City's contributions allocated to the healthcare plan for 2014, 2013 and 2012 were approximately \$6,000, \$33,000 and \$76,000, respectively for police, and \$4,000, \$49,000 and \$60,000, respectively for fire. 88% has been contributed for police for 2014 and 100% for police for 2013 and 2012. 93% has been contributed for fire for 2014 and 100% for fire for 2013 and 2012.

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

NOTE 12 - OTHER EMPLOYEE BENEFITS

Compensated Absences

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

Accumulated Unpaid Vacation

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

Accumulated Unpaid Sick Leave

City employees earn sick leave at varying rates based upon length of service and when the employee was hired. City employees who have ten years of service, hired prior to March 1, 1992 for police officers, July 1, 1992 for firefighters, and April 12, 1991 for all other employees, and who have sick leave accumulated, receive payment upon retirement at a rate of one hour for each hour of accumulated and unused sick leave, to a maximum of 960 hours.

Employees who have ten years of service, hired after March 1, 1992 for police officers, July 1, 1992 for firefighters, and April 12, 1991 for all other employees who have sick leave accumulated receives payment upon retirement at a rate of one hour for each four hours of accumulated and unused sick leave, to a maximum of 480 hours. Individuals leaving the employment of the City prior to retirement or at retirement with less than ten years of service lose their accumulated sick leave.

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

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

NOTE 12 - OTHER EMPLOYEE BENEFITS – *continued*

Health Care Benefits

The City has elected to provide employee medical/surgical and prescription drug benefits through Medical Mutual of Ohio Insurance Company. The employees share the cost of the monthly premium with the City.

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2014, 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.

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

NOTE 16 - FUND DEFICITS

At December 31, 2014, the City had deficits in the following funds:

Nonmajor Governmental Funds:	
Court Special Project Fund	\$ 86,291
Voted Street Light Levy Fund	10,142
Court Supervision Fund	470
Firemen's Relief & Pension Fund	1,362
Policemen's Relief & Pension Fund	<u>1,087</u>
	<u>\$ 99,352</u>

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

NOTE 17 - COMMITMENTS

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

General Fund	\$ 39,248
Nonmajor Governmental Funds	<u>84,741</u>
	<u>\$ 123,989</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

NOTE 18 - FUND BALANCES

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable</i>				
Prepays	\$ 20,239	\$ -	\$ 2,905	\$ 23,144
Inventory	-	-	56,190	56,190
<i>Total Nonspendable</i>	<u>20,239</u>	<u>-</u>	<u>59,095</u>	<u>79,334</u>
<i>Restricted for</i>				
Police	-	-	46,854	46,854
Fire	-	-	28,809	28,809
Streets	-	-	261,109	261,109
Cemetery	-	-	355,285	355,285
Community development	-	-	28,044	28,044
Municipal court	-	-	111,551	111,551
Debt service	-	158,684	717,205	875,889
Capital projects	-	499,573	457,558	957,131
Other purposes	-	-	73,958	73,958
<i>Total Restricted</i>	<u>-</u>	<u>658,257</u>	<u>2,080,373</u>	<u>2,738,630</u>
<i>Committed to</i>				
Bridge maintenance	-	-	57,960	57,960
<i>Total Committed</i>	<u>-</u>	<u>-</u>	<u>57,960</u>	<u>57,960</u>
<i>Assigned to</i>				
Budget resource	144,719	-	-	144,719
Economic development	209	-	-	209
<i>Total Assigned</i>	<u>144,928</u>	<u>-</u>	<u>-</u>	<u>144,928</u>
<i>Unassigned (Deficit)</i>	<u>928,390</u>	<u>-</u>	<u>(99,352)</u>	<u>829,038</u>
<i>Total Fund Balance</i>	<u>\$ 1,093,557</u>	<u>\$ 658,257</u>	<u>\$ 2,098,076</u>	<u>\$ 3,849,890</u>

CITY OF WASHINGTON COURT HOUSE, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2014

NOTE 19 – FUTURE CHANGES IN ACCOUNTING PRINCIPLES

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, has been issued by the GASB but is not required to be implemented by the City until 2015. Management has not yet determined the impact of this new standard will have on the City's financial statements.



Julian & Grube, Inc.
Serving Ohio Local Governments

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards***

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

To the Members of Council and Mayor:

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, Ohio, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Washington Court House's basic financial statements and have issued our report thereon dated May 28, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City of Washington Court House's internal control over financial reporting (internal control) to determine the 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 of Washington Court House'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 of Washington Court House'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.

Members of Council and Mayor
City of Washington Court House

Compliance and Other Matters

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

Purpose of this Report

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



Julian & Grube, Inc.
May 28, 2015

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Dave Yost • Auditor of State

CITY OF WASHINGTON COURT HOUSE

FAYETTE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 1, 2015**