



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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City of Washington Court House  
Fayette County

Regular Audit

For the Year Ended December 31, 2017  
Fiscal Year Audited Under GAGAS: 2017

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# Dave Yost • Auditor of State

Members of Council  
City of Washington Court House  
105 N. 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 BHM CPA Group, Inc., for the audit period January 1, 2017 through December 31, 2017. 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

June 4, 2018

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**City of Washington Court House**  
*Basic Financial Statements*  
For the Fiscal Year Ended December 31, 2017  
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## **Independent Auditor's Report**

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

Members of City Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Washington Court House, Fayette County, Ohio (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Washington Court House, Fayette County, Ohio, as of December 31, 2017, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Income Tax Levy Funds thereof for the year then ended in 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* and schedules of net pension liabilities and pension contributions listed in the table of contents to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*BHM CPA Group*

BHM CPA Group Inc.  
Piketon, Ohio  
May 11, 2018



**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2017**  
*Unaudited*

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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, 2017. 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, 2017 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 \$30,710,206.
- The City's total net position increased during the year by \$927,153, or 3%.
- Total unrestricted net position deficit of \$5,781,902 was primarily attributable to the City recognizing its proportionate share of net pension liabilities under state-wide multiple employer pension plans under GASB Statement No. 68.
- The City's total expenses were \$17,848,592, an increase of \$1,078,382.
- Program revenues of \$8,185,180 reduced the net cost of the City's functions to be financed from the City's general revenues to \$9,663,412.
- The City's unassigned fund balance of the General Fund totaled \$847,422 at year end, or 14% of General Fund expenditures.

**Overview of the Financial Statements**

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

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

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

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

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

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

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

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

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

**Government-Wide Financial Statements**

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

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

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
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Table 1 provides a summary of the City's net position for 2017 compared to 2016:

	<u>Table 1</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Assets:</b>						
Current and Other Assets	\$ 8,976,973	\$ 8,311,483	\$ 2,557,053	\$ 2,521,396	\$ 11,534,026	\$ 10,832,879
Capital Assets, Net	<u>13,269,518</u>	<u>14,367,101</u>	<u>33,372,752</u>	<u>33,317,822</u>	<u>46,642,270</u>	<u>47,684,923</u>
<b>Total Assets</b>	<u>22,246,491</u>	<u>22,678,584</u>	<u>35,929,805</u>	<u>35,839,218</u>	<u>58,176,296</u>	<u>58,517,802</u>
Deferred outflow of resources	<u>2,902,083</u>	<u>3,112,258</u>	<u>901,150</u>	<u>742,781</u>	<u>3,803,233</u>	<u>3,855,039</u>
<b>Liabilities:</b>						
Current and Other Liabilities	579,023	524,615	336,377	565,454	915,400	1,090,069
<b>Long-Term Liabilities:</b>						
Due Within One Year	1,211,627	1,552,780	1,467,065	1,429,373	2,678,692	2,982,153
<b>Due in More than One Year:</b>						
Net Pension Liability	9,172,416	9,212,726	2,218,934	1,724,713	11,391,350	10,937,439
Other Long-Term Amounts	<u>10,536,689</u>	<u>11,516,751</u>	<u>3,579,229</u>	<u>4,363,300</u>	<u>14,115,918</u>	<u>15,880,051</u>
<b>Total Liabilities</b>	<u>21,499,755</u>	<u>22,806,872</u>	<u>7,601,605</u>	<u>8,082,840</u>	<u>29,101,360</u>	<u>30,889,712</u>
Deferred inflow of resources	<u>2,070,124</u>	<u>1,617,640</u>	<u>97,839</u>	<u>82,436</u>	<u>2,167,963</u>	<u>1,700,076</u>
<b>Net Position:</b>						
Net investment in capital assets	3,041,074	2,707,937	28,564,082	27,467,043	31,605,156	30,174,980
Restricted	4,886,952	4,624,444	-	-	4,886,952	4,624,444
Unrestricted (deficit)	<u>(6,349,331)</u>	<u>(5,966,051)</u>	<u>567,429</u>	<u>949,680</u>	<u>(5,781,902)</u>	<u>(5,016,371)</u>
<b>Total Net Position</b>	<u>\$ 1,578,695</u>	<u>\$ 1,366,330</u>	<u>\$29,131,511</u>	<u>\$28,416,723</u>	<u>\$ 30,710,206</u>	<u>\$ 29,783,053</u>

During 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*, which significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Management's Discussion and Analysis**  
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*Unaudited*

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

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they receive the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both the employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract, but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Management's Discussion and Analysis**  
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Total assets decreased by \$341,506, or less than 1%. The majority of the decrease occurred in capital assets, which experienced depreciation expense exceeding capital additions during 2017. The decrease was partially offset by increases in cash and investments, with positive operating results, and higher receivables, with increases in sewer rates.

Total liabilities decreased by \$1,788,352, or 6%. Long-term liabilities decreased by approximately \$1.6 million primarily due to the City making its scheduled principal payments on its general obligation and revenue bonds, loans and leases.

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 (\$31,605,156 of the total \$30,710,206) 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 (\$4,886,952) represents resources that are subject to restrictions on how they can be used. The remaining balance was a deficit of \$5,781,902 which is attributable to the recognition of the City's proportionate share of net pension liabilities under GASB Statement No. 68. If the net pension liability and related deferrals were excluded, the unrestricted net position reported by the City would be a positive \$3,085,587. As the operation of the state-wide pension systems are outside the control of the City and varies significantly from year to year based on the performance of investments, it's important to acknowledge the recognition of the net pension liability has on the City's reported net position.

The City's total net position increased from \$29,783,053 in 2016 to \$30,710,206 in 2017, a change of \$927,153, or 3%.

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 2016 and 2017.

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2017**  
*Unaudited*

**Table 2**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,292,027	\$ 1,147,403	\$ 5,757,967	\$ 5,591,054	\$ 7,049,994	\$ 6,738,457
Operating Grants/Contributions	124,380	111,914	23,630	28,419	148,010	140,333
Capital Grants/Contributions	987,176	587,198	-	88,984	987,176	676,182
General Revenues:						
Municipal Income Taxes	7,649,205	7,213,314	-	-	7,649,205	7,213,314
Property and Other Taxes	472,825	484,645	-	-	472,825	484,645
Payment in Lieu of Taxes	1,126,012	931,938	-	-	1,126,012	931,938
Intergovernmental	891,273	901,487	-	-	891,273	901,487
Investment Earnings	21,468	30,560	5,213	7,213	26,681	37,773
Other	311,649	234,905	112,920	188,707	424,569	423,612
Total Revenues	<u>12,876,015</u>	<u>11,643,364</u>	<u>5,899,730</u>	<u>5,904,377</u>	<u>18,775,745</u>	<u>17,547,741</u>
Program Expenses:						
Security of Person & Property	4,531,392	3,849,739	-	-	4,531,392	3,849,739
Public Health Services	419,633	312,861	-	-	419,633	312,861
Leisure Time Activities	24,548	27,842	-	-	24,548	27,842
Community Environment	1,948,514	2,709,068	-	-	1,948,514	2,709,068
Transportation	1,800,260	1,756,613	-	-	1,800,260	1,756,613
General Government	3,574,754	2,918,020	-	-	3,574,754	2,918,020
Interest and Fiscal Charges	364,549	460,319	-	-	364,549	460,319
Water	-	-	2,369,138	2,108,059	2,369,138	2,108,059
Sewer	-	-	2,815,804	2,627,689	2,815,804	2,627,689
Total Expenses	<u>12,663,650</u>	<u>12,034,462</u>	<u>5,184,942</u>	<u>4,735,748</u>	<u>17,848,592</u>	<u>16,770,210</u>
Change in Net Position	212,365	(391,098)	714,788	1,168,629	927,153	777,531
Net Position, beginning of year	<u>1,366,330</u>	<u>1,757,428</u>	<u>28,416,723</u>	<u>27,248,094</u>	<u>29,783,053</u>	<u>29,005,522</u>
Net Position, end of year	<u>\$ 1,578,695</u>	<u>\$ 1,366,330</u>	<u>\$ 29,131,511</u>	<u>\$ 28,416,723</u>	<u>\$30,710,206</u>	<u>\$ 29,783,053</u>

**Governmental Activities**

The most significant program expenses for the City are Security of Persons and Property, General Government, Transportation, and Community Environment. These programs account for 94% of the total governmental activities. Security of Persons and Property, which accounts for 36% 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 28% of the total, represents costs associated with the general administration of city government, including the City Council, City Manager, City Auditor and Municipal Court. Transportation, which accounts for 14% of the total, represents costs associated with streets and their upkeep. Community Environment, which accounts for 15% of the total, represents costs associated with developing and improving the downtown.

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Funding for the most significant programs indicated is from income taxes, property taxes and payments in lieu of taxes, and intergovernmental. The income tax revenue for 2017 was \$7,649,205. Of the \$12,876,015 in total revenues, income tax accounts for 59% of that total. The property tax revenue and payments in lieu of property taxes for 2017 was \$1,598,837 or 12% of total revenues. The intergovernmental revenue for 2017 was \$891,273 or 7% of total revenue.

Total governmental activities revenue increased by approximately \$1.2 million, or 11%. The increase in capital grants and contributions was due to \$420,049 in loan forgiveness received from the Ohio Public Works Commission to reduce the loan balance to the actual amount expended on the Leesburg Avenue project. The original loan amount was based on the estimated project costs, but the project came in under budget. Other increases include increases payments in lieu of taxes, due to receiving 2016 second half payments in 2017, and increased fines.

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>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
Security of persons and property	\$ 4,531,392	\$ 4,528,191	\$ 3,849,739	\$ 3,848,739
Public health services	419,633	320,853	312,861	213,604
Leisure time activities	24,548	24,548	27,842	10,842
Community environment	1,948,514	1,948,514	2,709,068	2,709,068
Transportation	1,800,260	834,587	1,756,613	1,186,290
General government	3,574,754	2,238,825	2,918,020	1,759,085
Interest on long-term debt	<u>364,549</u>	<u>364,549</u>	<u>460,319</u>	<u>460,319</u>
Total Expenses	<u>\$ 12,663,650</u>	<u>\$ 10,260,067</u>	<u>\$ 12,034,462</u>	<u>\$ 10,187,947</u>

It should be noted that only 19% of the costs of services for governmental activities are derived from program revenues including charges for services, operating grants, capital grants and other contributions. As shown by the total net costs of \$10,260,067, the majority of the City's programs are funded by general revenues. A significant portion of the total general revenues consists of income taxes and property taxes.

Total governmental activities' expenses increased by approximately \$629,000, or 5%. The majority of this increase was driven by higher pension expenses associated with the net pension liability. The remaining portion of the increase is attributable to a \$150,000 contribution, along with contributions from Fayette County, to assist with the creation of a park district. The City will contribute an additional \$100,000 over the next three years.

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2017**  
*Unaudited*

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**Business-Type Activities**

The City's major business-type activities include water and sewer operations. The Water Fund's operating income for 2017 was \$608,254, a decrease over the prior year of \$449,900. The Sewer Fund also had operating income of \$260,211, an increase over the prior year of \$62,713. These funds were analyzed in more detail under Proprietary Funds section below.

**Financial Analysis of the City's Funds**

**Governmental Funds**

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

The General Fund is the chief operating fund. At the end of 2017, the total fund balance for the General Fund was \$993,848, of which \$847,422 was unassigned. During the current year, the fund balance of the City's General Fund increased by \$94,021, or by 10%. Total revenue increased by 2%, while total expenditures decreased by 2%.

The Income Tax Levy fund accounts for the majority of the collections from the 0.5% additional income tax rate that went into effect on January 1, 2016 (4% of the 0.5% income tax rate is dedicated for economic development and accounted for in a separate economic development fund). The Fund ended the year with a fund balance of \$604,717 to be used for public safety, cemetery operations and street infrastructure.

The Permanent Improvement Fund experienced a decrease in fund balance of 26% during the year due to increased share of the debt service expenditures.

**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 \$523,524, or 5% which was lower than the prior year increase of \$951,616, due in part to wet and cool weather, resulting in lower water usage, more water line repairs, and higher pension expenses. Net position in the Sewer Fund also increased, by \$191,264. This is due to a combination of increases in sewer rates and increased billings on sewer industrial users for increased sewage waste.

**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.



**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2017**  
*Unaudited*

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The original and final budgeted revenues were \$6,359,722 and \$6,102,622, respectively, a decrease of 4%, as income taxes were lower than initially anticipated to estimate the impact of the Ohio tax reform House Bill No. 5. Actual revenues were \$6,085,067, primarily due to lower than expected income taxes.

The original and final budgeted expenditures were \$6,386,624 and \$6,569,101, respectively, an increase 3%, to budget for the \$150,000 contribution to assist with the creation of a park district. Actual expenditures were \$5,976,157, \$592,944 less than the final budget utilizing the Income Tax Levy Fund to cover more of the costs previously paid from the General Fund.

### **Capital Assets and Debt Administration**

The City's net investment in capital assets for governmental and business-type activities as of December 31, 2017, amounts to \$31,605,156 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, equipment and infrastructure.

Total capital assets for governmental activities of the City of Washington Court House for the year 2017 were \$13,269,518, or \$1,097,583 less than in 2016. This decrease was due mainly to annual depreciation expense exceeding current year additions.

The increase in capital assets for business-type activities of \$54,930 to \$33,372,752 as of December 31, 2017 was due to the start of the design on the new wastewater plan improvements, offset by annual depreciation expense.

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

As of December 31, 2017, the City of Washington Court House had \$14,660,437 (excluding premiums) in bonds, long-term notes, leases and loans outstanding with \$2,352,074 due within one year.

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

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

### **Current Known Facts and Conditions**

The City enjoys local economic stability and with a slight economic growth. Cuts in funding to local governments across the State have had a negative impact on the financial position of the City. Thus far, attrition of the City's workforce has helped to mitigate the full impact of these cuts. Additionally, the City passed a ½ percent increase in the income tax rate that it began collecting during 2016. Also, the City increased its sewer rates by 10% for the first ten years, beginning in 2017, and then 2% thereafter, to help finance planned wastewater plant improvements.

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2017**  
*Unaudited*

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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, 2017

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in pooled cash and investments	\$ 4,819,767	\$ 1,473,597	\$ 6,293,364
Cash in segregated accounts	47,943	-	47,943
Receivables:			
Property taxes	432,134	-	432,134
Income taxes	1,793,704	-	1,793,704
Payment in lieu of taxes	1,029,500	-	1,029,500
Accounts	24,842	826,625	851,467
Loans, net	53,656	-	53,656
Intergovernmental	500,304	-	500,304
Special assessments	185,867	100,365	286,232
Prepaid items	29,256	78,105	107,361
Supplies inventory	60,000	78,361	138,361
Nondepreciable capital assets	1,257,895	1,993,590	3,251,485
Depreciable capital assets, net	<u>12,011,623</u>	<u>31,379,162</u>	<u>43,390,785</u>
Total assets	<u>22,246,491</u>	<u>35,929,805</u>	<u>58,176,296</u>
<b>Deferred Outflows of Resources</b>			
Deferred charges on refunding	500,111	58,798	558,909
Pensions	<u>2,401,972</u>	<u>842,352</u>	<u>3,244,324</u>
Total deferred outflows of resources	<u>2,902,083</u>	<u>901,150</u>	<u>3,803,233</u>
<b>Liabilities</b>			
Accounts payable	164,614	210,201	374,815
Accrued wages payable	198,427	51,908	250,335
Intergovernmental payable	98,936	21,988	120,924
Refundable advance	76,719	-	76,719
Accrued interest payable	40,327	52,280	92,607
Noncurrent liabilities:			
Due within one year	1,211,627	1,467,065	2,678,692
Due in more than one year:			
Net pension liability	9,172,416	2,218,934	11,391,350
Other amounts due in more than on year	<u>10,536,689</u>	<u>3,579,229</u>	<u>14,115,918</u>
Total liabilities	<u>21,499,755</u>	<u>7,601,605</u>	<u>29,101,360</u>
<b>Deferred Inflows of Resources</b>			
Property taxes and payment in lieu taxes	1,447,500	-	1,447,500
Pensions	<u>622,624</u>	<u>97,839</u>	<u>720,463</u>
Total deferred inflows of resources	<u>2,070,124</u>	<u>97,839</u>	<u>2,167,963</u>
<b>Net Position</b>			
Net investment in capital assets	3,041,074	28,564,082	31,605,156
Restricted for:			
Capital projects	985,818	-	985,818
Debt service	1,276,991	-	1,276,991
Cemetery operations	546,541	-	546,541
Public safety	807,004	-	807,004
Streets	663,693	-	663,693
Other purposes	606,905	-	606,905
Unrestricted (deficit)	<u>(6,349,331)</u>	<u>567,429</u>	<u>(5,781,902)</u>
Total net position	<u>\$ 1,578,695</u>	<u>\$ 29,131,511</u>	<u>\$ 30,710,206</u>

See accompanying notes to the basic financial statement.

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
Statement of Activities  
Year Ended December 31, 2017

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Functions/Programs</b>							
Governmental activities:							
Security of persons and property	\$ 4,531,392	\$ -	\$ 3,201	\$ -	\$ (4,528,191)	\$ -	\$ (4,528,191)
Public health services	419,633	98,780	-	-	(320,853)	-	(320,853)
Leisure time activities	24,548	-	-	-	(24,548)	-	(24,548)
Community environment	1,948,514	-	-	-	(1,948,514)	-	(1,948,514)
Transportation	1,800,260	220	-	965,453	(834,587)	-	(834,587)
General government	3,574,754	1,193,027	121,179	21,723	(2,238,825)	-	(2,238,825)
Interest on long-term debt	364,549	-	-	-	(364,549)	-	(364,549)
Total governmental activities	<u>12,663,650</u>	<u>1,292,027</u>	<u>124,380</u>	<u>987,176</u>	<u>(10,260,067)</u>	<u>-</u>	<u>(10,260,067)</u>
Business-type activities:							
Water	2,369,138	2,831,130	14,777	-	-	476,769	476,769
Sewer	2,815,804	2,926,837	8,853	-	-	119,886	119,886
Total business-type activities	<u>5,184,942</u>	<u>5,757,967</u>	<u>23,630</u>	<u>-</u>	<u>-</u>	<u>596,655</u>	<u>596,655</u>
<b>Total</b>	<u>\$ 17,848,592</u>	<u>\$ 7,049,994</u>	<u>\$ 148,010</u>	<u>\$ 987,176</u>	<u>(10,260,067)</u>	<u>596,655</u>	<u>(9,663,412)</u>
General revenues:							
Taxes:							
Income taxes					7,649,205	-	7,649,205
Property taxes					472,825	-	472,825
Payment in lieu of taxes					1,126,012	-	1,126,012
Intergovernmental					891,273	-	891,273
Investment earnings					21,468	5,213	26,681
Miscellaneous					311,649	112,920	424,569
Total general revenues					<u>10,472,432</u>	<u>118,133</u>	<u>10,590,565</u>
Change in net position					212,365	714,788	927,153
Net position beginning of year					1,366,330	28,416,723	29,783,053
Net position end of year					<u>\$ 1,578,695</u>	<u>\$ 29,131,511</u>	<u>\$ 30,710,206</u>

See accompanying notes to the basic financial statements.

**CITY OF WASHINGTON COURT HOUSE, OHIO**

Balance Sheet  
 Governmental Funds  
 December 31, 2017

	General Fund	Income Tax Levy	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and investments	\$ 924,803	\$ 544,997	\$ 368,677	\$ 2,981,290	\$ 4,819,767
Cash in segregated accounts	28,255	-	-	19,688	47,943
Receivables:					
Property taxes	320,482	-	-	111,652	432,134
Income taxes	917,585	444,677	229,396	202,046	1,793,704
Payment in lieu of taxes	-	-	-	1,029,500	1,029,500
Accounts	24,842	-	-	-	24,842
Loans, net	-	-	-	53,656	53,656
Intergovernmental	189,234	-	21,723	289,347	500,304
Special assessments	185,867	-	-	-	185,867
Prepays	26,351	-	-	2,905	29,256
Supplies inventory	-	-	-	60,000	60,000
Total assets	<u>\$ 2,617,419</u>	<u>\$ 989,674</u>	<u>\$ 619,796</u>	<u>\$ 4,750,084</u>	<u>\$ 8,976,973</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 110,982	\$ 18,414	\$ 349	\$ 34,869	\$ 164,614
Accrued wages payable	129,477	54,616	-	14,334	198,427
Intergovernmental payable	89,930	3,598	-	5,408	98,936
Refundable advance	-	-	-	76,719	76,719
Total liabilities	<u>330,389</u>	<u>76,628</u>	<u>349</u>	<u>131,330</u>	<u>538,696</u>
<b>Deferred Inflows of Resources:</b>					
Property taxes and payment in lieu taxes	310,000	-	-	1,137,500	1,447,500
Unavailable revenue	<u>983,182</u>	<u>308,329</u>	<u>159,058</u>	<u>388,772</u>	<u>1,839,341</u>
Total deferred inflows of resources	<u>1,293,182</u>	<u>308,329</u>	<u>159,058</u>	<u>1,526,272</u>	<u>3,286,841</u>
<b>Fund Balances:</b>					
Nonspendable	26,351	-	-	62,905	89,256
Restricted	-	604,717	460,389	2,943,109	4,008,215
Committed	-	-	-	86,468	86,468
Assigned	120,075	-	-	-	120,075
Unassigned	<u>847,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>847,422</u>
Total fund balances	<u>993,848</u>	<u>604,717</u>	<u>460,389</u>	<u>3,092,482</u>	<u>5,151,436</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,617,419</u>	<u>\$ 989,674</u>	<u>\$ 619,796</u>	<u>\$ 4,750,084</u>	<u>\$ 8,976,973</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, 2017

<b>Total governmental fund balances</b>	\$	5,151,436
<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.		13,269,518
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable in the funds:		
Income taxes receivable		1,243,714
Intergovernmental and other receivables		581,493
Delinquent property taxes		14,134
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds		(8,985,000)
Unamortized bond premiums		(910,835)
Lease/purchase agreement		(506,298)
Compensated absences		(1,019,761)
Accrued interest on long-term debt		(40,327)
OPWC loan		(326,422)
Deferred outflows of resources from losses on refunding are amortized over the life of the bonds and are not reported in the funds.		500,111
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred outflows - pension		2,401,972
Deferred inflows - pension		(622,624)
Net pension liability		<u>(9,172,416)</u>
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>1,578,695</u></b>

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, 2017

	General Fund	Income Tax Levy	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property taxes	\$ 380,531	\$ -	\$ -	\$ 110,608	\$ 491,139
Municipal income taxes	3,821,286	1,900,010	953,606	844,584	7,519,486
Intergovernmental	553,234	-	441,772	780,135	1,775,141
Charges for services	650,288	-	-	98,780	749,068
Fines, licenses and permits	446,803	-	-	326,909	773,712
Interest	21,004	-	-	464	21,468
Payment in lieu of taxes	-	-	-	1,126,012	1,126,012
Other	173,552	5,257	1,120	49,978	229,907
Total revenues	<u>6,046,698</u>	<u>1,905,267</u>	<u>1,396,498</u>	<u>3,337,470</u>	<u>12,685,933</u>
<b>Expenditures:</b>					
Current:					
Security of persons and property	2,358,943	1,390,775	-	118,442	3,868,160
Public health services	34,750	269,981	-	66,259	370,990
Leisure time activities	14,603	-	-	-	14,603
Community environment	793,976	-	-	549,279	1,343,255
Transportation	-	225,901	-	667,827	893,728
General government	2,750,405	34,891	-	405,550	3,190,846
Capital outlay	-	-	917,294	-	917,294
Debt service:					
Principal retirement	-	-	598,115	745,000	1,343,115
Interest and fiscal charges	-	-	44,854	337,495	382,349
Total expenditures	<u>5,952,677</u>	<u>1,921,548</u>	<u>1,560,263</u>	<u>2,889,852</u>	<u>12,324,340</u>
Excess (deficiency) of revenues over (under) expenditures	<u>94,021</u>	<u>(16,281)</u>	<u>(163,765)</u>	<u>447,618</u>	<u>361,593</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	50,000	50,000
Transfers out	-	-	-	(50,000)	(50,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	94,021	(16,281)	(163,765)	447,618	361,593
Fund balance, beginning of year	899,827	620,998	624,154	2,644,864	4,789,843
Fund balance, end of year	<u>\$ 993,848</u>	<u>\$ 604,717</u>	<u>\$ 460,389</u>	<u>\$ 3,092,482</u>	<u>\$ 5,151,436</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, 2017

<b>Net change in fund balances - total governmental funds</b>	\$	361,593
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
Capital asset additions		464,165
Depreciation expense	(1,400,311)	(936,146)
In the statement of activities, loss on disposal of capital assets is reported whereas only proceeds from the sale, as applicable, are reported in the funds.		
		(161,437)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Income taxes receivable		129,719
Intergovernmental and other receivables		103,389
Delinquent property taxes	(18,314)	214,794
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		(82,846)
Interest on long-term debt		(9,805)
Change in deferred loss on refunding		(33,341)
Change in bond premiums	60,946	(65,046)
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.		
		1,343,115
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		700,212
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		<u>(1,244,720)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>212,365</u></b>

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Revenues:</b>				
Property and other taxes	\$ 375,000	\$ 388,500	380,531	\$ (7,969)
Municipal income taxes	4,285,000	3,885,000	3,853,547	(31,453)
Intergovernmental	555,200	555,200	563,799	8,599
Charges for services	631,100	631,100	650,288	19,188
Fines, licenses and permits	376,200	438,100	443,385	5,285
Interest	28,000	28,000	20,977	(7,023)
Other	109,222	176,722	172,540	(4,182)
Total revenues	<u>6,359,722</u>	<u>6,102,622</u>	<u>6,085,067</u>	<u>(17,555)</u>
<b>Expenditures:</b>				
Current:				
Security of persons and property	2,600,528	2,600,528	2,362,586	237,942
Public health services	35,000	35,000	34,750	250
Leisure time activities	27,600	27,600	14,720	12,880
Community environment	917,213	917,213	852,070	65,143
General government	<u>2,806,283</u>	<u>2,988,760</u>	<u>2,712,031</u>	<u>276,729</u>
Total expenditures	<u>6,386,624</u>	<u>6,569,101</u>	<u>5,976,157</u>	<u>592,944</u>
Net change in fund balance	(26,902)	(466,479)	108,910	<u>\$ 575,389</u>
Fund balance, beginning of year	727,239	727,239	727,239	
Prior year encumbrances appropriated	<u>36,507</u>	<u>36,507</u>	<u>36,507</u>	
Fund balance, end of year	<u>\$ 736,844</u>	<u>\$ 297,267</u>	<u>\$ 872,656</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

Income Tax Levy Fund

Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Revenues:</b>				
Municipal income taxes	\$2,100,000	\$ 2,100,000	\$ 1,867,492	\$ (232,508)
Other	-	5,110	5,257	147
Total revenues	<u>\$2,100,000</u>	<u>\$ 2,105,110</u>	<u>\$ 1,872,749</u>	<u>\$ (232,361)</u>
<b>Expenditures:</b>				
Current:				
Security of persons and property	1,388,850	1,388,850	1,387,280	1,570
Public health services	283,114	283,114	271,994	11,120
Transportation	371,858	371,858	236,207	135,651
General government	-	42,000	34,891	7,109
Total expenditures	<u>2,043,822</u>	<u>2,085,822</u>	<u>1,930,372</u>	<u>155,450</u>
Net change in fund balance	56,178	19,288	(57,623)	<u>\$ (76,911)</u>
Fund balance, beginning of year	571,566	571,566	571,566	
Prior year encumbrances appropriated	13,089	13,089	13,089	
Fund balance, end of year	<u>\$ 640,833</u>	<u>\$ 603,943</u>	<u>\$ 527,032</u>	

See accompanying notes to the basic financial statements.

**CITY OF WASHINGTON COURT HOUSE, OHIO**

Statement of Net Position

Proprietary Funds

December 31, 2017

	Enterprise Funds			Totals
	Water	Sewer	Nonmajor Enterprise Fund	
<b>Assets</b>				
Current assets:				
Equity in pooled cash and investments	\$ 502,284	\$ 971,174	\$ 139	\$ 1,473,597
Receivables:				
Accounts	424,367	402,258	-	826,625
Special assessments	29,333	71,032	-	100,365
Advances to other funds	-	641,944	-	641,944
Prepaid Items	39,314	38,791	-	78,105
Supplies inventory	78,361	-	-	78,361
Total current assets	<u>1,073,659</u>	<u>2,125,199</u>	<u>139</u>	<u>3,198,997</u>
Noncurrent assets:				
Nondepreciable capital assets	936,721	1,056,869	-	1,993,590
Depreciable capital assets, net	12,951,987	18,427,175	-	31,379,162
Total noncurrent assets	<u>13,888,708</u>	<u>19,484,044</u>	<u>-</u>	<u>33,372,752</u>
Total assets	<u>14,962,367</u>	<u>21,609,243</u>	<u>139</u>	<u>36,571,749</u>
<b>Deferred outflows of resources</b>				
Deferred charge on refunding	58,798	-	-	58,798
Pensions	409,779	432,573	-	842,352
Total deferred outflows of resources	<u>468,577</u>	<u>432,573</u>	<u>-</u>	<u>901,150</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable	28,249	181,952	-	210,201
Accrued wages payable	26,066	25,842	-	51,908
Intergovernmental payable	10,592	11,396	-	21,988
Advances from other funds	641,944	-	-	641,944
Accrued interest payable	22,168	30,112	-	52,280
Loans payable	242,329	416,812	-	659,141
Compensated absences payable	25,287	27,637	-	52,924
Revenue bonds payable	755,000	-	-	755,000
Total current liabilities	<u>1,751,635</u>	<u>693,751</u>	<u>-</u>	<u>2,445,386</u>
Noncurrent liabilities:				
Compensated absences payable	46,407	79,495	-	125,902
Loans payable	653,814	2,004,762	-	2,658,576
Revenue bonds payable	794,751	-	-	794,751
Net pension liability	1,086,825	1,132,109	-	2,218,934
Total noncurrent liabilities	<u>2,581,797</u>	<u>3,216,366</u>	<u>-</u>	<u>5,798,163</u>
Total liabilities	<u>4,333,432</u>	<u>3,910,117</u>	<u>-</u>	<u>8,243,549</u>
<b>Deferred Inflows of Resources</b>				
Pensions	47,921	49,918	-	97,839
<b>Net Position</b>				
Net investment in capital assets	11,501,612	17,062,470	-	28,564,082
Unrestricted (deficit)	(452,021)	1,019,311	139	567,429
Total net position	<u>\$ 11,049,591</u>	<u>\$ 18,081,781</u>	<u>\$ 139</u>	<u>\$ 29,131,511</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, 2017

	Enterprise Funds			Totals
	Water	Sewer	Nonmajor Enterprise Fund	
<b>Operating revenues:</b>				
Charges for services	\$ 2,831,130	\$ 2,926,837	\$ -	\$ 5,757,967
Other	44,542	68,378	-	112,920
Total operating revenues	<u>2,875,672</u>	<u>2,995,215</u>	<u>-</u>	<u>5,870,887</u>
<b>Operating expenses:</b>				
Personnel services	1,079,261	1,092,270	-	2,171,531
Contractual services	403,016	643,680	-	1,046,696
Supplies and materials	261,785	214,554	-	476,339
Other	228,637	183,495	-	412,132
Depreciation	294,719	601,005	-	895,724
Total operating expenses	<u>2,267,418</u>	<u>2,735,004</u>	<u>-</u>	<u>5,002,422</u>
Operating income	608,254	260,211	-	868,465
<b>Non-operating revenues (expenses):</b>				
Investment earnings	2,213	3,000	-	5,213
Interest expense and fiscal charges	(101,720)	(80,800)	-	(182,520)
Intergovernmental revenue	14,777	8,853	-	23,630
Total non-operating revenues (expenses)	<u>(84,730)</u>	<u>(68,947)</u>	<u>-</u>	<u>(153,677)</u>
Change in net position	523,524	191,264	-	714,788
Net position, beginning of year	<u>10,526,067</u>	<u>17,890,517</u>	<u>139</u>	<u>28,416,723</u>
Net position, end of year	<u>\$ 11,049,591</u>	<u>\$ 18,081,781</u>	<u>\$ 139</u>	<u>\$ 29,131,511</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, 2017

	Enterprise Funds			Totals
	Water	Sewer	Nonmajor Enterprise Fund	
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 2,735,848	\$ 2,803,940	\$ -	\$ 5,539,788
Cash payments for employee services and benefits	(909,347)	(962,755)	-	(1,872,102)
Cash payments to suppliers for goods and services	(672,169)	(851,352)	-	(1,523,521)
Cash payments for other operating expenses	(228,637)	(50,575)	-	(279,212)
Cash received from other operating revenue	83,244	30,099	-	113,343
Net cash from operating activities	<u>1,008,939</u>	<u>969,357</u>	<u>-</u>	<u>1,978,296</u>
<b>Cash flows from noncapital financing activities:</b>				
Intergovernmental revenue	14,777	8,853	-	23,630
Repayment of advances from/to other funds	(45,854)	45,854	-	-
Net cash from noncapital financing activities	<u>(31,077)</u>	<u>54,707</u>	<u>-</u>	<u>23,630</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(155,999)	(794,655)	-	(950,654)
Principal paid on sewer note	-	(350,000)	-	(350,000)
Proceeds from loan draws	-	665,795	-	665,795
Principal payments on bonds and loans	(972,054)	(402,875)	-	(1,374,929)
Interest paid on bonds, notes and loans	(91,010)	(87,709)	-	(178,719)
Net cash from capital and related financing activities	<u>(1,219,063)</u>	<u>(969,444)</u>	<u>-</u>	<u>(2,188,507)</u>
<b>Cash flows from investing activities:</b>				
Interest	2,213	3,000	-	5,213
Net cash from investing activities	<u>2,213</u>	<u>3,000</u>	<u>-</u>	<u>5,213</u>
Net change	(238,988)	57,620	-	(181,368)
Cash and pooled investments beginning of year	<u>741,272</u>	<u>913,554</u>	<u>139</u>	<u>1,654,965</u>
Cash and pooled investments end of year	<u>\$ 502,284</u>	<u>\$ 971,174</u>	<u>\$ 139</u>	<u>\$ 1,473,597</u>
Reconciliation of operating income to net cash from operating activities:				
Operating income	\$ 608,254	\$ 260,211	\$ -	\$ 868,465
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	294,719	601,005	-	895,724
Changes in assets, liabilities and deferred outflows and inflows:				
Receivables	(56,580)	(161,176)	-	(217,756)
Prepaid items	(1,639)	-	-	(1,639)
Supplies inventory	2,370	-	-	2,370
Accounts payable	(7,093)	141,837	-	134,744
Accrued wages	5,343	2,548	-	7,891
Intergovernmental payable	(3,177)	(5,311)	-	(8,488)
Compensated absences payable	(14,277)	(10,593)	-	(24,870)
Deferred outflows - pensions	(100,851)	(86,918)	-	(187,769)
Deferred inflows - pensions	9,016	6,387	-	15,403
Net pension liability	<u>272,854</u>	<u>221,367</u>	<u>-</u>	<u>494,221</u>
Net cash from operating activities	<u>\$ 1,008,939</u>	<u>\$ 969,357</u>	<u>\$ -</u>	<u>\$ 1,978,296</u>

See accompanying notes to the basic financial statements.

**CITY OF WASHINGTON COURT HOUSE, OHIO**

Statement of Net Position

Fiduciary Funds

December 31, 2017

	<u>Private- Purpose Trust Fund</u>	<u>Agency Funds</u>
<b><i>Assets</i></b>		
Equity in pooled cash and cash equivalents	\$ 17,526	\$ 61,868
Cash in segregated accounts	-	<u>33,713</u>
Total assets	<u>17,526</u>	<u>95,581</u>
<b><i>Liabilities</i></b>		
Intergovernmental payable	-	33,843
Deposits held and due to others	-	<u>61,738</u>
Total liabilities	<u>-</u>	<u>\$ 95,581</u>
<b><i>Net Position</i></b>		
Held in trust	<u>\$ 17,526</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, 2017

	<u>Private- Purpose Trust Fund</u>
<i><b>Additions:</b></i>	
Miscellaneous	\$ <u>3,606</u>
<i><b>Deductions:</b></i>	
Contractual Services	<u>2,000</u>
Change in net position	1,606
Net position, beginning of year	<u>15,920</u>
Net position, end of year	<u>\$ 17,526</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, 2017**

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**NOTE 1 - DESCRIPTION OF THE ENTITY**

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

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

The City is associated with Carnegie Public Library, which is defined as a related organization (Note 15).

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

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

**Basis of Presentation**

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

**Government-wide Financial Statements**

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



**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

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

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

**Fund Financial Statements**

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

**Fund Accounting**

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

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

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

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

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

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

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

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

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

Measurement Focus

Governmental-Wide Financial Statements

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

Fund Financial Statements

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

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

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

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

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

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

Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

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

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

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

Deferred Outflows and Inflows of Resources

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

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized until that time. For the City, deferred inflows of resources include property taxes and payments in lieu of taxes, unavailable revenue, and pension. Property taxes and payments in lieu of taxes represent amounts that are measurable as of December 31, 2017, but are intended to finance 2018 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (sixty days after year-end). The deferred inflows of resources related to pension are reported on the government-wide and proprietary fund statements of net position (see Note 11).

Expenses/Expenditures

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

Budgetary Accounting and Control

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

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

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

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

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

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

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

Tax Budget

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

Estimated Resources

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

The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement as final reflects the amounts in the final amended official certificate of estimated resources issued during 2017.

Reconciliation of Budget Basis to GAAP Basis

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

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

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

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

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

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

		<u>General Fund</u>	<u>Income Tax Levy</u>
Net change in fund balance - GAAP Basis	\$	94,021	(16,281)
Increase / (decrease):			
Due to revenues		38,369	(32,518)
Due to expenditures		33,916	9,142
Due to encumbrances		<u>(57,396)</u>	<u>(17,966)</u>
Net change in fund balance - Budget Basis	\$	<u>108,910</u>	<u>(57,623)</u>

**Cash and Investments**

Cash and investments of the City’s funds, except those held in restricted asset accounts, are pooled and invested in short-term investments in order to provide improved cash management. During 2017, the City’s funds were invested in interest bearing demand accounts and certificates of deposit with commercial banks, money market accounts, the State Treasury Assets Reserve of Ohio (STAR Ohio), U.S. agencies securities and HH bonds. For purposes of the statement of cash flows, the enterprise funds’ portion of cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from the enterprise funds without prior notice or penalty.

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

STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at the net asset value per share provided by STAR Ohio on an amortized cost basis at December 31, 2017, which approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

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

Receivables

Receivables at December 31, 2017 consist of property and income taxes, payments in lieu of taxes, consumer accounts (billings for user charged services, included unbilled utility services), loans, special assessments and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full, except as noted below, including accounts receivables which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

Loans receivable in the Nonmajor Governmental Funds represent low interest loans made by the City for community development projects and small businesses under the Community Development Block Grants (CDBG) program. The loans bear interest at annual rates ranging from 2 to 6 percent. The loans are to be repaid over periods ranging from 10 to 20 years. The City maintained an allowance at December 31, 2017 of \$20,415 for doubtful collections.

Inventories

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and the expenditure/expense in the year in which the services are consumed.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their acquisition 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.

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

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

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

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

Interest is capitalized on proprietary fund capital assets acquired with tax-exempt debt. There was no interest required to be capitalized during the 2017 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.

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.



**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

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

Pensions

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

Operating Revenues and Expenses

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

Interfund Transactions

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

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

Fund Balances

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

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

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

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

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

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

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

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

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

Net Position

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

Restricted for other purposes represents balances of State and Federal grants in Special Revenue Funds. Of the City's \$4,886,952 restricted net position, none is restricted by enabling legislation.

Estimates

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

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

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**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

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**NOTE 3 - DEPOSITS AND INVESTMENTS** – *continued*

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

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

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

At year end, the carrying amount of the City’s deposits was \$3,206,724 and the bank balance was \$3,309,426. The City’s bank balance was covered by FDIC and collateralized with securities held by the pledging financial institution’s trust department or agent, respectively.

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

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**NOTE 3 - DEPOSITS AND INVESTMENTS** – *continued*

Investments: The City’s investments at December 31, 2017 are summarized as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Concentration of Credit Risk</u>
FFCB	\$ 719,455	1.24	22.15%
FNMA	592,497	3.19	18.24%
FHLMC	336,349	2.28	10.36%
FHLB	446,878	2.93	13.76%
Negotiable Certificates of Deposit	1,039,038	1.98	32.00%
STAROhio	29,153	-	0.90%
Series HH Bonds	4,000	-	0.12%
Money Markets	80,320	-	2.47%
	<u>\$ 3,247,690</u>		<u>100.00%</u>

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

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

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

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

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**NOTE 3 - DEPOSITS AND INVESTMENTS** - *continued*

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of December 31, 2017:

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value				
Negotiable CDs	\$ 1,039,038	\$ -	\$ 1,039,038	\$ -
U.S. Agency Obligations	2,095,179	-	2,095,179	-
Total	<u>\$ 3,134,217</u>	<u>\$ -</u>	<u>\$ 3,134,217</u>	<u>\$ -</u>

**NOTE 4 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes are levied after October 1, 2017 on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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. 2017 public utility property taxes, which became a lien December 31, 2016 are levied after October 1, 2017, and are collected in 2018 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 2017 taxes were collected was \$213,460,420. The full tax rate for all City operations applied for real property for fiscal year ended December 31, 2017 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, 2017. 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 2017 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, 2017**

**NOTE 5 - INCOME TAX**

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

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

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2017 was as follows:

	<b>Balance*</b> <b>1/1/17</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance</b> <b>12/31/17</b>
<b>Governmental Activities:</b>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$ 1,100,975	\$ -	\$ -	\$ 1,100,975
Construction in progress	-	156,920	-	156,920
<i>Total Nondepreciable Capital Assets</i>	<u>1,100,975</u>	<u>156,920</u>	<u>-</u>	<u>1,257,895</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	532,135	20,803	-	552,938
Buildings and Improvements	9,220,071	1,485	(152,953)	9,068,603
Equipment and Vehicles	6,370,216	284,957	(303,550)	6,351,623
Infrastructure	51,110,435	-	-	51,110,435
<i>Total Depreciable Capital Assets</i>	<u>67,232,857</u>	<u>307,245</u>	<u>(456,503)</u>	<u>67,083,599</u>
<i>Accumulated Depreciation:</i>				
Land Improvements	(508,795)	(7,061)	-	(515,856)
Buildings and Improvements	(1,844,161)	(204,540)	22,296	(2,026,405)
Equipment and Vehicles	(4,847,170)	(313,048)	272,770	(4,887,448)
Infrastructure	(46,766,605)	(875,662)	-	(47,642,267)
<i>Total Accumulated Depreciation</i>	<u>(53,966,731)</u>	<u>(1,400,311)</u>	<u>295,066</u>	<u>(55,071,976)</u>
<i>Total Govt Activities Capital Assets, Net</i>	<u>\$ 14,367,101</u>	<u>\$ (936,146)</u>	<u>\$ (161,437)</u>	<u>\$ 13,269,518</u>

\* Certain amount were reclassified from previous year's presentation.

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

**NOTE 6 - CAPITAL ASSETS - continued**

Depreciation expense was charged to governmental functions as follows:

Security of Persons and Property	\$ 412,764
Leisure Time Activities	9,945
Public Health	13,776
Transportation	905,695
General Government	58,131
Total Depreciation Expense	<u>\$ 1,400,311</u>

	<u>Balance*</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance</u>
	<u>1/1/17</u>						<u>12/31/17</u>
<b>Business Type Activities:</b>							
<i>Nondepreciable Capital Assets:</i>							
Land	\$ 1,198,935	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,198,935
Construction in progress	-	794,655	-	-	-	-	794,655
<i>Total Nondepreciable Capital Assets</i>	<u>1,198,935</u>	<u>794,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,993,590</u>
<i>Depreciable Capital Assets:</i>							
Land Improvements	659,819	-	-	-	-	-	659,819
Buildings and Improvements	26,565,018	-	-	-	-	-	26,565,018
Equipment and Vehicles	3,025,016	155,999	-	-	-	-	3,181,015
Infrastructure	24,266,106	-	-	-	-	-	24,266,106
<i>Total Depreciable Capital Assets</i>	<u>54,515,959</u>	<u>155,999</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,671,958</u>
<i>Accumulated Depreciation:</i>							
Land Improvements	(637,665)	(1,198)	-	-	-	-	(638,863)
Buildings and Improvements	(10,558,911)	(449,051)	-	-	-	-	(11,007,962)
Equipment and Vehicles	(2,779,384)	(39,878)	-	-	-	-	(2,819,262)
Infrastructure	(8,421,112)	(405,597)	-	-	-	-	(8,826,709)
<i>Total Accumulated Depreciation</i>	<u>(22,397,072)</u>	<u>(895,724)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,292,796)</u>
<i>Total Bus. Activities Capital Assets, Net</i>	<u>\$ 33,317,822</u>	<u>\$ 54,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,372,752</u>

\* Certain amount were reclassified from previous year's presentation.

Depreciation expense was charged to segments as follows:

Water	\$ 294,719
Sewer	601,005
Total Depreciation Expense	<u>\$ 895,724</u>



**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

**NOTE 7 – INTERFUND TRANSACTIONS**

The City established an interfund loan of \$687,798 between the Sewer and Water Funds to have the Water Fund repay revenue that should have been recorded in the Sewer Fund. The loan will be repaid over fifteen years beginning in 2017. The interfund loan balance at December 31, 2017 was \$641,944.

Transfers of \$50,000 were made between nonmajor governmental funds during 2017 for bond anticipation note retirement.

**NOTE 8 - LONG-TERM LIABILITIES**

The changes in the City's long-term liabilities for the year ended December 31, 2017 were as follows:

	<u>Balance at 1/1/17</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at 12/31/17</u>	<u>Amount Due Within One Year</u>
<b><i>Governmental Activities:</i></b>					
Various Purpose 2011					
Refunding GO Bonds:					
Road Way Improvement	\$ 585,000	\$ -	\$ (35,000)	\$ 550,000	\$ 35,000
Refunding	255,000	-	(40,000)	215,000	40,000
Fire Apparatus	720,000	-	(40,000)	680,000	45,000
Premium on Series 2011	23,356	-	(1,669)	21,687	-
Various Purpose 2016					
Refunding GO Bonds:					
Note Refinancing	1,260,000	-	(105,000)	1,155,000	110,000
Safety Services	4,535,000	-	(435,000)	4,100,000	445,000
Tax Increment Financing	2,415,000	-	(130,000)	2,285,000	135,000
Premium on Series 2016	948,425	-	(59,277)	889,148	-
Capital Leases	619,344	-	(113,046)	506,298	110,551
OPWC Loans	771,491	-	(445,069)	326,422	17,382
Compensated Absences Payable	936,915	486,221	(403,375)	1,019,761	273,694
Net Pension Liability:					
OPERS	3,197,614	621,367	-	3,818,981	-
OP&F	6,015,112	-	(661,677)	5,353,435	-
<b><i>Total Governmental Activities</i></b>	<b><u>\$ 22,282,257</u></b>	<b><u>\$ 1,107,588</u></b>	<b><u>\$ (2,469,113)</u></b>	<b><u>\$ 20,920,732</u></b>	<b><u>\$ 1,211,627</u></b>

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

On April 27, 2016, the City issued \$8,400,000 in various purpose refunding general obligation bonds. The proceeds of the issue were used to advance refund \$8,475,000 in Series 2007 various purpose general obligation bonds. As a result, the Series 2007 bonds were considered defeased and the liability for these bonds had been removed from the statement of net position. The interest rate on the Series 2016 bonds range from 2.0% to 4.0% and will fully mature in 2032. The advance refunding reduced the City's total debt service payment by \$999,664 to obtain an economic gain (difference between the present values of the debt service payments on the old and new bonds) of \$867,867. The \$8,475,000 in defeased Series 2007 bonds were called on December 1, 2017.

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

**NOTE 8 - LONG-TERM LIABILITIES** – *continued*

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

Compensated absences will be paid by the fund which primarily pays the employee’s salary.

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

	<b>Balance</b>			<b>Balance</b>	<b>Amount Due</b>
	<b>at 1/1/17</b>	<b>Issued</b>	<b>Retired</b>	<b>at 12/31/17</b>	<b>Within One</b>
					<b>Year</b>
<b><i>Business Type Activities:</i></b>					
<i>Water System Bonds:</i>					
Series 2012 Revenue Refunding	\$ 2,265,000	\$ -	\$ (740,000)	\$ 1,525,000	\$ 755,000
Premium on Series 2012	37,126	-	(12,375)	24,751	-
OWDA Sewer Loan	2,158,654	-	(402,875)	1,755,779	416,812
OWDA Water Loan	1,128,197	-	(232,054)	896,143	242,329
OWDA Sewer Loan	-	665,795	-	665,795	-
Compensated Absences Payable	203,696	67,708	(92,578)	178,826	52,924
<i>Net Pension Liability:</i>					
OPERS	1,724,713	494,221	-	2,218,934	-
<b><i>Total Business Type Activities</i></b>	<b><u>\$ 7,517,386</u></b>	<b><u>\$ 1,227,724</u></b>	<b><u>\$ (1,479,882)</u></b>	<b><u>\$ 7,265,228</u></b>	<b><u>\$ 1,467,065</u></b>

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 2017, the Water Fund reported \$902,973 of net pledged revenues for coverage of annual debt service of \$785,300. The remaining debt service for these bonds at December 31, 2017 was \$1,570,900.

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
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**Year Ended December 31, 2017**

**NOTE 8 - LONG-TERM LIABILITIES** – *continued*

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

In 2017, the City was approved for a \$2,288,000 OWDA loan for the wastewater treatment improvements design. Loan draws are expected to be completed in 2018, with loan repayment beginning in 2019. The loan will carry an interest rate of 2.28% and will mature in 2023. Loan draws made through December 31, 2017 were \$665,795.

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 \$2,870,313.

Principal and interest requirements to retire the City’s governmental activities’ outstanding notes and bonds as of December 31, 2017, are as follows:

	Series 2011 Bonds		Series 2016 Bonds		OPWC
	Principal	Interest	Principal	Interest	Principal
2018	\$ 120,000	\$ 62,060	\$ 690,000	\$ 280,650	\$ 17,382
2019	125,000	58,460	705,000	259,950	17,382
2020	120,000	54,085	730,000	238,800	17,382
2021	130,000	49,885	765,000	209,600	17,382
2022	90,000	44,360	790,000	179,000	17,381
2023-2027	500,000	161,985	3,110,000	459,200	86,913
2028-2032	360,000	36,500	750,000	92,600	86,914
2033-2037	-	-	-	-	27,369
2038-2042	-	-	-	-	27,369
2043-2044	-	-	-	-	10,948
Total	<u>\$ 1,445,000</u>	<u>\$ 467,335</u>	<u>\$ 7,540,000</u>	<u>\$ 1,719,800</u>	<u>\$ 326,422</u>

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
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**NOTE 8 - LONG-TERM LIABILITIES** – *continued*

Principal and interest requirements to retire the City’s business-type activities’ outstanding bonds, and loans as of December 31, 2017, are as follows:

	Water Revenue Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest*
2018	\$ 755,000	\$ 30,500	\$ 659,141	\$ 93,305
2019	770,000	15,400	684,291	68,156
2020	-	-	710,415	42,033
2021	-	-	598,075	14,897
Total	\$1,525,000	\$ 45,900	\$ 2,651,922	\$ 218,391

The OWDA loan amortization excludes the 2017 loan balance, since the project is ongoing. It will be included once the loan project is completed and the loan amortization is finalized.

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

**NOTE 9 - 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 - 3.75%	12/16/2016	\$ 60,000	\$ -	\$ (60,000)	\$ -
<u>Business-Type Activities:</u>					
Wastewater Treatment System BAN - 3.75%	12/16/2016	\$ 350,000	\$ -	\$ (350,000)	\$ -

The City issued \$410,000 in various purpose bond anticipation notes on December 16, 2016. \$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 \$60,000 was issued to pay for court related equipment and was paid with court fees from the Court Special Project Fund. These notes were paid off during 2017.

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
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**NOTE 10 - CAPITAL LEASES**

The City previously entered into a lease agreement for energy-saving equipment of \$610,000. In 2016, the City entered into a lease agreement for fire equipment of \$487,000. These lease obligations meet 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 leases, and the present value of the future minimum lease payments at December 31, 2017:

<b>Year Ending December 31,</b>	
2018	\$ 125,460
2019	55,791
2020	55,791
2021	55,791
2022	55,791
Thereafter	223,164
Total Future Minimum Lease Payments	571,788
Less: Amount Representing Interest	65,490
Present Value of Future Minimum Lease Payments	\$ 506,298

**NOTE 11 – DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS** – *continued*

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

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

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

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

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

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

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS – *continued***

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

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

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

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

Funding Policy—The ORC provides statutory authority for member and employer contributions. For 2017, member contribution rates were 10% of salary and employer contribution rates were 14%. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 1.0% during calendar year 2017 (see Note 12). Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$447,914 for 2017. Of this amount, \$65,984 is reported as an intergovernmental payable.

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

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

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
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**NOTE 11 – DEFINED BENEFIT PENSION PLANS – continued**

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

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

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

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

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

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

	<u>Police</u>		<u>Firefighters</u>	
<b>2017 Statutory Maximum Contribution Rates</b>				
Employer	19.50	%	24.00	%
Employee	12.25	%	12.25	%
<b>2017 Actual Contribution Rates</b>				
Employer::				
Pension	19.00	%	23.50	%
Post-employment Health Care Benefits	0.50	%	0.50	%
Total Employer	<u>19.50</u>	%	<u>24.00</u>	%
Employee	<u>12.25</u>	%	<u>12.25</u>	%

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OP&F was \$409,242 for 2017. Of this amount, \$45,399 is reported as an intergovernmental payable.



**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
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**NOTE 11 – DEFINED BENEFIT PENSION PLANS – continued**

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

The net pension liability for OPERS was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportionate Share of Net Pension Liability	\$ 6,037,915	\$ 5,353,435	\$ 11,391,350
Proportion of Net Pension Liability	0.02659%	0.08452%	
Change in Proportion	-0.00183%	-0.00898%	
Pension Expense	\$ 1,149,666	\$ 573,853	\$ 1,723,519

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$ 8,184	\$ 1,515	\$ 9,699
Net differences between projected and actual investment earnings	899,184	520,597	1,419,781
Change in assumptions	957,688	-	957,688
City contributions subsequent to the measurement date	<u>447,914</u>	<u>409,242</u>	<u>857,156</u>
	<u>\$ 2,312,970</u>	<u>\$ 931,354</u>	<u>\$ 3,244,324</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 35,934	\$ 12,327	\$ 48,261
Change in proportionate share and difference in employer contributions	<u>230,295</u>	<u>441,907</u>	<u>672,202</u>
	<u>\$ 266,229</u>	<u>\$ 454,234</u>	<u>\$ 720,463</u>

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
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**NOTE 11 – DEFINED BENEFIT PENSION PLANS – continued**

\$857,156 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2018	\$ 615,969	\$ 109,365	\$ 725,334
2019	695,969	109,365	805,334
2020	313,246	62,188	375,434
2021	(26,357)	(123,673)	(150,030)
2022	-	(81,443)	(81,443)
Thereafter	-	(7,924)	(7,924)
	<b>\$ 1,598,827</b>	<b>\$ 67,878</b>	<b>\$ 1,666,705</b>

**Actuarial Assumptions – OPERS**

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

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

Assumptions	December 31, 2016 Valuation	December 31, 2015 Valuation
Wage inflation	3.25%	3.75%
Future salary increases, Including inflation	3.25% to 10.75%	4.25% to 10.05%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3%; Post 1/7/2013 retirees: 3% simple through 2018, then 2.15% simple	Pre 1/7/2013 retirees: 3%; Post 1/7/2013 retirees: 3% simple through 2018, then 2.80% simple
Investment rate of return	7.50%	8.00%
Actuarial cost method	Individual entry age	Individual entry age
Mortality tables	RP-2014	RP-2000

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010.

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
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**NOTE 11 – DEFINED BENEFIT PENSION PLANS** – *continued*

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

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

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

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00%	2.75%
Domestic Equities	20.70%	6.34%
Real Estate	10.00%	4.75%
Private Equity	10.00%	8.97%
International Equities	18.30%	7.95%
Other Investments	<u>18.00%</u>	<u>4.92%</u>
Total	<u>100.00%</u>	<u>5.66%</u>

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
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**NOTE 11 – DEFINED BENEFIT PENSION PLANS – continued**

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

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

	1% Decrease (6.50%)	Current Discount Rate of 7.50%	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 9,224,386	\$ 6,037,915	\$ 3,382,700

**Actuarial Assumptions – OP&F**

OP&F’s total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determine amounts are subject to continual review and potential modifications, as actual results are compared with past experiences and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation date	January 1, 2016 with actuarial liabilities rolled forward to December 31, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8.25%
Projected salary increases	4.25% to 11.00%
Payroll increases	3.75%
Inflation assumptions	3.25%
Cost of living adjustments	2.60% and 3.00% simple

Rates of death are based on the RP-2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
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**NOTE 11 – DEFINED BENEFIT PENSION PLANS – continued**

The most recent experience study was completed for the five-year period ended December 31, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2016 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalent	0.0%	0.0%
Domestic Equity	16.0%	5.21%
Non-U.S. Equity	16.0%	5.40%
Core Fixed Income*	20.0%	2.37%
Global Inflation Protected Securities*	20.0%	2.33%
High Yield	15.0%	4.48%
Real Estate	12.0%	5.65%
Private Markets	8.0%	7.99%
Timber	5.0%	6.87%
Master Limited Partnerships	8.0%	7.36%

Note: Assumptions are geometric. \* Levered 2x

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate.** The total pension liability was calculated using the discount rate of 8.25%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.25%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS – continued**

*Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (7.25%) or one-percentage point higher (9.25%) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate of 8.25%	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 7,130,142	\$ 5,353,435	\$ 3,847,653

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

***Ohio Public Employees Retirement System***

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

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

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

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**NOTE 12 - POSTEMPLOYMENT BENEFITS** – *continued*

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2017, state and local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members' contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of the employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the RMA for participants in the Member-Directed Plan for 2017 was 4.0%.

Actual employer contributions for 2017, 2016 and 2015 which were used to fund post-employment benefits were approximately \$35,000, \$72,000, and \$72,000, respectively.

**Ohio Police and Fire Pension Fund**

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

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

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

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

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

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**NOTE 12 - POSTEMPLOYMENT BENEFITS** – *continued*

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5% of covered payroll throughout 2017. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's actual contributions for 2017, 2016 and 2015 that were used to fund post-employment benefits were \$6,000 for each year for police and \$3,000 in 2017 and \$4,000 in both 2016 and 2015 for fire.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

Compensated Absences

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

Accumulated Unpaid Vacation

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

Accumulated Unpaid Sick Leave

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

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



**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

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**NOTE 13 - OTHER EMPLOYEE BENEFITS - continued**

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.

**Health Care Benefits**

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

**NOTE 14 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2017, the City contracted with various commercial carriers for property, auto, crime, and liability insurance as well as public official bonds.

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

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

**NOTE 15 - RELATED ORGANIZATION**

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

**NOTE 16 - CONTINGENT LIABILITIES**

**Litigation**

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

**Federal and State Grants**

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

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

**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	\$	57,396
Income Tax Levy		17,966
Permanent Improvement		41,239
Nonmajor Governmental Funds		<u>93,069</u>
	\$	<u>209,670</u>

**NOTE 18 - FUND BALANCES**

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

Fund Balances	General Fund	Income Tax Levy	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b><i>Nonspendable</i></b>					
Prepays	\$ 26,351	\$ -	\$ -	\$ 2,905	\$ 29,256
Inventory	-	-	-	60,000	60,000
<b><i>Total Nonspendable</i></b>	<u>26,351</u>	<u>-</u>	<u>-</u>	<u>62,905</u>	<u>89,256</u>
<b><i>Restricted for</i></b>					
Police	-	277,383	-	27,812	305,195
Fire	-	197,173	-	10,918	208,091
Streets	-	25,924	-	443,809	469,733
Cemetery	-	92,302	-	404,928	497,230
Economic development	-	-	-	82,564	82,564
Community development	-	-	-	41,679	41,679
Municipal court	-	-	-	312,181	312,181
Debt service	-	-	201,784	988,287	1,190,071
Capital projects	-	-	258,605	568,155	826,760
Other purposes	-	11,935	-	62,776	74,711
<b><i>Total Restricted</i></b>	<u>-</u>	<u>604,717</u>	<u>460,389</u>	<u>2,943,109</u>	<u>4,008,215</u>
<b><i>Committed to</i></b>					
Bridge maintenance	-	-	-	86,468	86,468
<b><i>Assigned to</i></b>					
Budget resource	<u>120,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,075</u>
<b><i>Unassigned</i></b>	<u>847,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>847,422</u>
<b><i>Total Fund Balance</i></b>	<u>\$ 993,848</u>	<u>\$ 604,717</u>	<u>\$ 460,389</u>	<u>\$ 3,092,482</u>	<u>\$ 5,151,436</u>

**CITY OF WASHINGTON COURT HOUSE, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

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**NOTE 19 - TAX ABATEMENT**

In 2012, the City passed Ordinance No. 11-2012 that established the Job Creation and Retention Incentive Program to provide an income tax incentive to qualified businesses to encourage retention and creation of jobs within the City. The program was structured in accordance with Sections 718.15 and 718.151 of the Ohio Revised Code and will remain in effect until July 31, 2022. The Program is available to businesses located within, or annexing into, the City creating new, or retaining existing, jobs, generating at least \$200,000 in qualified payroll. Interested parties must go through an application process to be approved by the City administration. Incentive payments may be up to 50% of the income tax revenue generated for the City.

One company is currently participating in the Program. The company and the City agreed to a five-year agreement to rebate 50% of 1% income tax rate, beginning January 1, 2013 as a result of the company expanding its manufacturing facility. The income tax rebate payment for 2017, paid in 2018, was \$14,816.

**CITY OF WASHINGTON COURT HOUSE, OHIO**

Required Supplementary Information

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

Ohio Public Employees Retirement System - Traditional Pension Plan

Last Four Years (1)(2)

	2017	2016	2015	2014
City's Proportion of the Net Pension Liability:	0.02659%	0.0284%	0.0301%	0.0301%
City's Proportionate Share of the Net Pension Liability	\$ 6,037,915	\$ 4,922,327	\$ 3,629,552	\$ 3,547,573
City's Covered Payroll	\$ 3,443,633	\$ 3,541,017	\$ 3,689,433	\$ 3,422,747
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.34%	139.01%	98.38%	103.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

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

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

**Notes to Schedule:**

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

**CITY OF WASHINGTON COURT HOUSE, OHIO**

Required Supplementary Information  
Schedule of City's Proportionate Share of the Net Pension Liability  
Ohio Police and Fire Pension Fund  
Last Four Years (1)(2)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.08452%	0.0935%	0.0945%	0.0945%
City's Proportionate Share of the Net Pension Liability	\$ 5,353,435	\$ 6,015,112	\$ 4,897,411	\$ 4,604,249
City's Covered Payroll	\$ 1,913,634	\$ 1,950,617	\$ 1,943,178	\$ 2,485,902
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	279.75%	308.37%	252.03%	185.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (2)	68.36%	66.77%	71.71%	73.00%

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

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

**CITY OF WASHINGTON COURT HOUSE, OHIO**

Required Supplementary Information

Schedule of City Contributions

Ohio Public Employees Retirement System - Traditional Pension Plan

Last Five Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 447,914	\$ 413,236	\$ 424,922	\$ 442,732	\$ 444,957
Contributions in Relation to the Contractually Required Contributions	<u>\$ (447,914)</u>	<u>\$ (413,236)</u>	<u>\$ (424,922)</u>	<u>\$ (442,732)</u>	<u>\$ (444,957)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 3,445,492	\$ 3,443,633	\$ 3,541,017	\$ 3,689,433	\$ 3,422,747
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

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

**CITY OF WASHINGTON COURT HOUSE, OHIO**

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

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

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



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and other Matters Required by *Government Auditing Standards***

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

Members of the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States’ *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Washington Court House, Fayette County, Ohio, (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated May 11, 2018.

***Internal Control over Financial Reporting***

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

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

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



Members of City Council  
City of Washington Court House  
Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Required by *Government Auditing Standards*  
Page 2

***Compliance and Other Matters***

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

***Purpose of this Report***

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

*BHM CPA Group*

BHM CPA Group Inc.  
Piketon, Ohio  
May 11, 2018

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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  
JUNE 19, 2018**