CITY OF GERMANTOWN

Basic Financial Statements – Modified Cash Basis
December 31, 2018

PLATTENBURG
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of the City of Germantown, Montgomery County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

July 25, 2019

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Germantown (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2018, and the respective changes in modified cash financial position for the year then ended in accordance with the accounting basis described in Note 2.

8260 NORTHCREEK DRIVE, SUITE 330 / CINCINNATI, OH 45236 • (513) 891-2722 • FAX (513) 891-2760
TWO PRESTIGE PLACE, SUITE 240 / DAYTON, OH 45342 • (937) 433-0400 • FAX (937) 433-0429
www.plattenburg.com

Accounting Basis

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Dayton, Ohio
June 25, 2019

City of Germantown, Ohio
Statement of Net Position - Modified Cash Basis
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	$4,135,450	$1,430,855	$5,566,305
Total Assets	4,135,450	1,430,855	5,566,305
Net Position:			
Restricted for:			
Senior Citizen	219,059	0	219,059
Street Improvements	140,920	0	140,920
Motor Vehicle License and Permissive Taxes	197,500	0	197,500
Street Lights	140,756	0	140,756
Emergency Medical Services	751,711	0	751,711
Fire Services	836,439	0	836,439
Capital Projects	1,190,983	0	1,190,983
Permanent Fund	25,667	0	25,667
Other Purposes	168,582	0	168,582
Unrestricted	463,833	1,430,855	1,894,688
Total Net Position	$4,135,450	$1,430,855	$5,566,305

See accompanying notes to the basic financial statements.

City of Germantown, Ohio
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended December 31, 2018

		Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	$670,213	$72,736	$0	$0	($597,477)	$0	($597,477)
Public Safety	2,367,920	159,823	761,223	0	(1,446,874)	0	(1,446,874)
Community Environment	93,356	11,885	0	0	(81,471)	0	(81,471)
Recreation	163	18,000	0	0	17,837	0	17,837
Transportation	341,331	86,902	282,971	16,741	45,283	0	45,283
Other	1,656	0	0	0	(1,656)	0	(1,656)
Capital Outlay	543,202	0	0	0	(543,202)	0	(543,202)
Debt Service:							
Principal	159,952	0	0	0	(159,952)	0	(159,952)
Interest and Other Charges	25,463	0	0	0	(25,463)	0	(25,463)
Total Governmental Activities	4,203,256	349,346	1,044,194	16,741	(2,792,975)	0	(2,792,975)
Business-Type Activities:							
Water	958,337	676,984	0	0	0	(281,353)	(281,353)
Sewer	1,009,322	916,785	0	0	0	(92,537)	(92,537)
Refuse	495,033	493,020	0	0	0	(2,013)	(2,013)
Stormwater	189,740	54,051	0	0	0	(135,689)	(135,689)
Swimming Pool	144,864	69,645	0	75,500	0	281	281
Recreation	136,115	0	0	115,035	0	(21,080)	(21,080)
Total Business-Type Activities	2,933,411	2,210,485	0	190,535	0	(532,391)	(532,391)
Totals	$7,136,667	$2,559,831	$1,044,194	$207,276	(2,792,975)	(532,391)	(3,325,366)

	Governmental Activities	Business-Type Activities	Total
General Receipts:			
Income Taxes	1,465,047	0	1,465,047
Property Taxes Levied for:			
General Purposes	301,434	0	301,434
Special Revenue Purposes	276,578	0	276,578
Grants and Entitlements, Not Restricted	142,545	0	142,545
Payments in Lieu of Taxes	5,862	0	5,862
Investment Earnings	51,728	0	51,728
Other Receipts	168,156	32,873	201,029
Long-Term Capital-Related Debt Issued	296,522	396,716	693,238
Transfers In	0	72,000	72,000
Transfers (Out)	(72,000)	0	(72,000)
Total General Receipts, Long-Term Bonds Issued and Transfers	2,635,872	501,589	3,137,461
Change in Net Position	(157,103)	(30,802)	(187,905)
Net Position - Beginning of Year	4,292,553	1,461,657	5,754,210
Net Position - End of Year	$4,135,450	$1,430,855	$5,566,305

See accompanying notes to the basic financial statements.

This page intentionally left blank.

City of Germantown, Ohio
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
December 31, 2018

	General	Police Levy	Emergency Medical Services	Fire Services	Street Capital Improvement	EMS Capital Improvement
Assets:						
Equity in Pooled Cash and Investments	$463,833	$95,041	$751,711	$836,439	$0	$725,883
Total Assets	463,833	95,041	751,711	836,439	0	725,883
Fund Balances:						
Nonspendable	11,664	0	0	0	0	0
Restricted	0	95,041	751,711	836,439	0	725,883
Assigned	248,603	0	0	0	0	0
Unassigned	203,566	0	0	0	0	0
Total Fund Balances	$463,833	$95,041	$751,711	$836,439	$0	$725,883

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
$1,262,543	$4,135,450
1,262,543	4,135,450
25,667	37,331
1,236,876	3,645,950
0	248,603
0	203,566
$1,262,543	$4,135,450

City of Germantown, Ohio
Statement of Receipts, Disbursements
and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Fiscal Year Ended December 31, 2018

	General	Police Levy	Emergency Medical Services	Fire Services	Street Capital Improvement	EMS Capital Improvement
Receipts:						
Property Taxes	$301,434	$276,578	$0	$0	$0	$0
Income Taxes	1,465,047	0	0	0	0	0
Charges for Services	0	0	125,216	0	0	0
Investment Earnings	51,710	0	0	0	0	0
Intergovernmental	142,545	43,605	309,000	235,500	16,741	0
Special Assessments	0	0	0	0	0	0
Fines, Licenses & Permits	84,301	0	0	0	0	0
Payments in Lieu of Taxes	0	0	0	0	0	0
Other Receipts	108,895	26,426	6,403	8,185	0	0
Total Receipts	2,153,932	346,609	440,619	243,685	16,741	0
Disbursements:						
Current:						
General Government	670,148	0	0	0	0	0
Public Safety	0	1,418,561	441,853	334,575	0	0
Community Environment	93,356	0	0	0	0	0
Recreation	163	0	0	0	0	0
Transportation	0	0	0	0	0	0
Other	1,656	0	0	0	0	0
Capital Outlay	0	0	0	0	410,660	0
Debt Service:						
Principal	50,932	0	0	0	109,020	0
Interest and Other Charges	8,956	0	0	0	16,507	0
Total Disbursements	825,211	1,418,561	441,853	334,575	536,187	0
Excess of Receipts Over (Under) Disbursements	1,328,721	(1,071,952)	(1,234)	(90,890)	(519,446)	0
Other Financing Sources (Uses):						
Issuance of Long-Term Capital-Related Debt	0	0	0	0	296,522	0
Advances In	352,711	0	0	0	440,635	0
Advances (Out)	(440,635)	0	0	0	(352,711)	0
Transfers In	0	1,061,260	0	0	135,000	100,000
Transfers (Out)	(1,246,260)	0	(100,000)	(100,000)	0	0
Total Other Financing Sources (Uses)	(1,334,184)	1,061,260	(100,000)	(100,000)	519,446	100,000
Net Change in Fund Balance	(5,463)	(10,692)	(101,234)	(190,890)	0	100,000
Fund Balance - Beginning of Year	469,296	105,733	852,945	1,027,329	0	625,883
Fund Balance - End of Year	$463,833	$95,041	$751,711	$836,439	$0	$725,883

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
$0	$578,012
0	1,465,047
0	125,216
18	51,728
456,089	1,203,480
86,902	86,902
52,927	137,228
5,862	5,862
18,247	168,156
620,045	3,821,631
65	670,213
172,931	2,367,920
0	93,356
0	163
341,331	341,331
0	1,656
132,542	543,202
0	159,952
0	25,463
646,869	4,203,256
(26,824)	(381,625)
0	296,522
0	793,346
0	(793,346)
100,000	1,396,260
(22,000)	(1,468,260)
78,000	224,522
51,176	(157,103)
1,211,367	4,292,553
$1,262,543	$4,135,450

City of Germantown, Ohio
Statement of Fund Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2018

	Business-Type Activities -Enterprise Funds				
	Water	Sewer	Refuse	Other Enterprise Funds	Total Business-Type Activities
Assets:					
Equity in Pooled Cash and Investments	$463,581	$485,783	$104,038	$377,453	$1,430,855
Total Assets	463,581	485,783	104,038	377,453	1,430,855
Net Position:					
Unrestricted	463,581	485,783	104,038	377,453	1,430,855
Total Net Position	$463,581	$485,783	$104,038	$377,453	1,430,855

See accompanying notes to the basic financial statements.

City of Germantown, Ohio
Statement of Receipts, Disbursements
and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Fiscal Year Ended December 31, 2018

	Business-Type Activities -Enterprise Funds				
	Water	Sewer	Refuse	Other Enterprise Funds	Total Business-Type Activities
Operating Receipts:					
Charges for Services	$676,984	$916,785	$493,020	$123,696	$2,210,485
Other Receipts	6,630	1,225	203	24,815	32,873
Total Operating Receipts	683,614	918,010	493,223	148,511	2,243,358
Operating Expenses:					
Personal Services	176,079	175,837	8,352	151,019	511,287
Contractual Services	128,614	588,100	475,516	85,772	1,278,002
Materials and Supplies	27,397	21,776	10,937	19,486	79,596
Other Expense	2,448	1,846	228	1,809	6,331
Capital Outlay	352,716	98,959	0	196,208	647,883
Total Operating Expenses	687,254	886,518	495,033	454,294	2,523,099
Operating Income (Loss)	(3,640)	31,492	(1,810)	(305,783)	(279,741)
Non-Operating Receipts (Expenses):					
Principal Retirement	(219,422)	(104,586)	0	(15,632)	(339,640)
Interest and Other Fiscal Charges	(51,661)	(18,218)	0	(793)	(70,672)
Issuance of Long-Term Capital-Related Debt	297,876	0	0	98,840	396,716
Total Non-Operating Receipts (Expenses)	26,793	(122,804)	0	82,415	(13,596)
Income (Loss) Before Capital Grants and Contributions, and Transfers	23,153	(91,312)	(1,810)	(223,368)	(293,337)
Capital Grants and Contributions	0	0	0	190,535	190,535
Transfers In	0	0	0	72,000	72,000
Change in Net Position	23,153	(91,312)	(1,810)	39,167	(30,802)
Net Position - Beginning of Year	440,428	577,095	105,848	338,286	1,461,657
Net Position - End of Year	$463,581	$485,783	$104,038	$377,453	$1,430,855

See accompanying notes to the basic financial statements.

Note 1 – Description of the Entity

Description of the Entity

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

Reporting Entity

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

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

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

Note 2 – Summary of Significant Accounting Policies

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

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

Basis of Presentation

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

The following are the City's major governmental funds:

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

Police Levy – To account for the activities of the Police Levy of the City.

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

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

Street Capital Improvement – To account for capital purchases for the City's Street Capital Improvement capital projects fund.

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

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

Proprietary Funds

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

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water Fund – This fund accounts for provision of water treatment and distribution to the residents and commercial users of the water system.

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

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

Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the City Finance Director.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

Cash and Investments

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts during the fiscal year amounted to $51,170 credited to the general fund and $18 to the permanent fund.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Inventory and Prepaid Items

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

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the City's modified cash basis of accounting.

Employer Contributions to Cost-Sharing Plans

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

Pensions/Other Postemployment Benefits (OPEB)

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

Long-Term Obligations

The City's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception.

Net Position

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

Fund Balance

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

Nonspendable –The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

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

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

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

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

Interfund Activity

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Equity in Pooled Cash and Investments

Monies held by the City are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the City treasury. Active 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 either be 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 monies. Interim monies are those monies 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 held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and 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, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

8. Written repurchase agreements in the securities described in (1) or (2) provided the market 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 market daily, and the term of the agreement must not exceed thirty days.

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.

At year end, the City had $969 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Investments".

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2018, $2,362,703 of the City's bank balance of $3,071,022 was exposed to custodial credit risk because it was uninsured and collateralized.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Participation in the Ohio Pooled Collateral system (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of December 31, 2018, the City had the following investments:

Investment Type	Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Money Market Funds	$19,374	N/A	0.00
Negotiable Certificates of Deposits	2,566,303	Level 2	2.29
	$2,585,677		
Portfolio Weighted Average Maturity			2.27

The City categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the City's recurring fair value measurements as of December 31, 2018.

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

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

Concentration of Credit Risk – The City's investment policy allows investments in Federal Government Securities or Instrumentalities. The City has invested 99.3% of the City's investments in negotiable certificates of deposits and 0.7% in money market funds.

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

Note 4 – Property Tax

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes are levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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 February 15, with the remainder payable by July 19. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

Real Property	$94,869,570
Public Utility Personal	1,842,910
Total Valuation	$96,712,480

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

Note 5 – Local Income Tax

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

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

Note 6 – Long-Term Debt

Long-term debt outstanding at December 31, 2018 was as follows:

This Space Intentionally Left Blank

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
OPWC Debt:					
CD08J - East Market Street Phase 1	$3,406	$0	($3,406)	$0	$0
CD04J - Cherry Street Improvement Phase 1	1,733	0	(1,733)	0	0
CD06J - Cherry Street Improvement Phase 2	2,058	0	(2,058)	0	0
CD09P - Cherry Street Improvement Phase 3	108,015	0	(4,154)	103,861	4,154
CD32S - Cherry Street Improvement Phase 4	444,907	0	(14,830)	430,077	14,830
CD02L - Dayton Pike Resurfacing	12,275	0	(8,182)	4,093	4,093
CD28T - Cherry Street Improvement Phase 5	397,200	0	(6,620)	390,580	13,240
CD06T - Cherry Street Improvement Phase 6	0	296,522	0	296,522	4,942
CD22Q - West Market Street Phase 1	648,202	0	(25,419)	622,783	25,419
Other Long-Term Debt:					
2017 Refunding - Various Purpose	472,500	0	(42,750)	429,750	45,000
St Rt / Hickory Pointe	256,500	0	(18,000)	238,500	18,000
Cherry Street Improvements	155,000	0	(10,000)	145,000	10,000
West Market Street Imp Phase I	280,800	0	(22,800)	258,000	22,800
Total Governmental Activities	2,782,596	296,522	(159,952)	2,919,166	162,478
Business-Type Activities:					
OPWC Debt:					
CD14L - Dayton Pike Water Storage Tower	1,027,340	0	(73,381)	953,959	73,381
CD04J - Cherry Street Improvement Phase 1	1,963	0	(1,963)	0	0
CD06J - Cherry Street Improvement Phase 2	2,229	0	(2,229)	0	0
CD09P - Cherry Street Improvement Phase 3	72,010	0	(2,770)	69,240	2,770
CD32S - Cherry Street Improvement Phase 4	296,605	0	(10,306)	286,299	10,306
CD28T - Cherry Street Improvement Phase 5	264,800	0	(4,413)	260,387	8,826
CD06T - Cherry Street Improvement Phase 6	0	197,681	0	197,681	3,295
CD11Q - Sanitary Sewer Rehab Phase 1	82,301	0	(3,048)	79,253	3,048
CD05R - Sanitary Sewer Rehab Phase 2	147,226	0	(5,166)	142,060	5,166
CT08F - Water Booster Station	57,637	0	(6,949)	50,688	7,019
CT08D - Hillcrest Sewer System	39,853	0	(6,470)	33,383	6,535
CD21T - Sanitary Sewer Rehab Phase 3	149,674	0	(2,495)	147,179	4,989
CD15U - Farmersville and Germantown Pike Water Main Phase 1	0	199,035	0	199,035	7,528
Other Long-Term Debt:					
Water Meters	340,000	0	(25,000)	315,000	25,000
East Market Street Water and Sewer	485,000	0	(35,000)	450,000	40,000
West Market Street Imp Phase I	93,600	0	(7,200)	86,400	7,200
Water Chemical Feed Building / Silt Removal	190,000	0	(15,000)	175,000	15,000
Engineering Water and Sewer	170,000	0	(15,000)	155,000	15,000
St Rt / Hickory Pointe	28,500	0	(2,000)	26,500	2,000
2017 Refunding - Various Purpose	577,500	0	(52,250)	525,250	55,000
Mortgage Revenue Water Bond	381,000	0	(69,000)	312,000	72,000
Total Business-Type Activities	4,407,238	396,716	(339,640)	4,464,314	364,063
Total Long-Term Debt	$7,189,834	$693,238	($499,592)	$7,383,480	$526,541

Outstanding OPWC notes (Project #CD08J) consist of a loan to fund the East Market Street Hill Phase I Project. The debt was paid off in 2018.

Outstanding OPWC notes (Project #CD04J, #CD06J, #CD09P, #CD32S, #CD28T, and #CD06T) consist of loans to fund the Cherry Street Improvements Phase 1, 2, 3, 4, 5 and 6 Projects. Phases 1 and 2 were paid off in 2018. The remaining debt will be repaid from revenues of the City's street capital improvement fund, water fund, sewer fund, and storm water fund.

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

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

Outstanding OPWC notes (Project #CD11Q, #CD05R, and #CD21T) consist of loans to fund the Sanitary Sewer Rehabilitation Phase 1, 2, and 3. The debt will be repaid from revenues of the City's sewer system.

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

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

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

Outstanding OPWC notes (Project #CD15U) consist of a loan to fund the Farmersville and Germantown Pike Water Main Phase 1. The debt will be repaid from revenues of the City's water system.

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

St. Rt. / Hickory Pointe Bonds consist of general obligation bonds issued for the Hickory Pointe public infrastructure improvements. The St. Rt. / Hickory Pointe Bonds will be paid from the street capital improvement fund and sewer fund.

Cherry Street Improvements Bonds were issued to make improvements on Cherry Street. These bonds will be paid from the street capital improvement fund.

Water Meter Bonds were issued to make improvements to the water meters throughout the City. These bonds will be paid from water fund and sewer fund.

East Market Street Improvement Bonds were issued to make improvements on the water and sewer systems on East Market Street. These bonds will be paid from the water fund and sewer fund.

West Market Street Improvements-Phase 1 Bonds were issued to make various improvements on West Market Street. These bonds will be paid from the street capital improvement fund, water fund, and storm water fund.

Water Chemical Feed Building / Silt Removal Bonds were issued to build a chemical feed building and also to remove silt for the water system of the City. These bonds will be paid from the water fund.

Engineering Water and Sewer Bonds were issued to help with the engineering aspect of the water and sewer systems throughout the City. These bonds will be paid from the water and sewer funds.

2017 Various Purpose Refunding Bonds are for the construction of a new municipal building and improvement of the sewer system for the City. Property and revenue of the City's sewer system and the general fund have been pledged to repay this debt.

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

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

	General Obligation Bonds		Mortgage Revenue Bonds		OPWC Loans	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2019	$255,000	$82,938	$72,000	$15,600	$199,541	$806
2020	275,000	75,585	76,000	12,000	211,349	670
2021	270,000	67,618	80,000	8,200	211,488	533
2022	280,000	59,755	84,000	4,200	211,626	395
2023	285,000	51,551	0	0	211,814	254
2024-2028	1,439,400	127,255	0	0	1,003,188	186
2029-2033	0	0	0	0	822,258	0
2034-2038	0	0	0	0	546,117	0
2039-2043	0	0	0	0	533,409	0
2044-2048	0	0	0	0	308,059	0
2049	0	0	0	0	8,231	0
	$2,804,400	$464,702	$312,000	$40,000	$4,267,080	$2,844

Note 7 – Defined Benefit Pension Plans

Net Pension Liability/Net OPEB Liability

Pensions and OPEB 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 net pension liability and the net OPEB liability represent the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB 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/OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police, 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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

This Space Intentionally Left Blank

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Traditional Plan Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Traditional Plan Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35
Public Safety	**Public Safety**	**Public Safety**
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	**Law Enforcement**	**Law Enforcement**
Age and Service Requirements: Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	**Public Safety and Law Enforcement**	**Public Safety and Law Enforcement**
Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Traditional Plan Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Traditional Plan Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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

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

When a traditional plan 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. Members retiring under the combined plan receive a cost–of–living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	State and Local	Public Safety	Law Enforcement
2018 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee *	10.0 %	**	***
2018 Actual Contribution Rates			
Employer:			
Pension ****	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits ****	0.0	0.0	0.0
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %

* Member contributions within the combined plan are not used to fund the defined bene retirement allowance.

** This rate is determined by OPERS' Board and has no maximum rate established by ORC.

*** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

**** These pension and employer health care rates are for the traditional and combined plan The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

For 2018, the City's contractually required contribution was $111,113.

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

Plan Description – City full-time police participate in Ohio Police and 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. 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 that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

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 allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	Police	Firefighters
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $136,658 for 2018.

Pension Liability

The net pension liability for OPERS was measured as of December 31, 2017, 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, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. 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 of the City's defined benefit pension plans:

	OPERS Traditional Plan	OP&F	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00609200%	0.02914600%	0.03523800%
Prior Measurement Date	0.00606400%	0.02621400%	0.03227800%
Change in Proportionate Share	0.00002800%	0.00293200%	0.06751600%
Proportionate Share of the:			
Net Pension Liability	$955,717	$1,788,822	$2,744,539

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 by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below.

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases,	3.25 to 10.75 percent	3.25 to 8.25 percent
including inflation	including wage inflation	including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018,	3 percent, simple through 2018
	then 2.15 percent, simple	then 2.15 percent, simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

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 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. 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 contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset)			
OPERS	$1,514,349	$955,717	$337,619

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net pension liability is not known.

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, 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 determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2017, compared with January 1, 2016, are presented below.

	January 1, 2017	January 1, 2016
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

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

For the January 1, 2016 valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed 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 expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00%	0.00%
Domestic Equity	16.00%	5.21%
Non-US Equity	16.00%	5.40%
Core Fixed Income*	20.00%	2.37%
Global Inflation Protected Securities*	20.00%	2.33%
High Yield	15.00%	4.48%
Real Estate	12.00%	5.65%
Private Markets	8.00%	7.99%
Timber	5.00%	6.87%
Master Limited Partnerships	8.00%	7.36%
Total	120.00%	

Note: Assumptions are geometric
* levered 2x

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

Discount Rate For 2017, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2016 was 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability:			
OP&F	$2,479,776	$1,788,822	$1,225,285

Changes in Benefit Terms and Assumptions

There have been no plan amendments adopted or changes in assumptions since the latest actuarial valuation, as of January 1, 2016, with actuarial liability rolled forward to December 31, 2016.

Note 8 – Postemployment Benefits

Ohio Public Employees Retirement System

Net OPEB Liability

For 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. This GASB pronouncement had no effect on beginning net position as reported January 1, 2018, as the net OPEB liability is not reported in the accompanying financial statements.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The 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 the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent 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 percent 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 into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution was $0 for 2018.

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

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

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post

Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The effect on the City's net OPEB liability is not known.

The City's contractually required contribution to OP&F was $3,596 for 2018.

Net OPEB Liability

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.00670000%	0.02914600%	0.03584600%
Prior Measurement Date	0.00627985%	0.02621400%	0.03249385%
Change in Proportionate Share	0.00042015%	0.00293200%	0.06833985%
			Total
Proportionate Share of the Net OPEB Liability	$727,571	$1,651,372	$2,378,943

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	$966,609	$727,571	$534,191

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	$696,130	$727,571	$760,048

Changes between Measurement Date and Report Date

In October, 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net OPEB liability is not known.

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Currrent measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

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

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

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

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00%	0.00%
Domestic Equity	16.00%	5.21%
Non-US Equity	16.00%	5.40%
Core Fixed Income*	20.00%	2.37%
Global Inflation Protected Securities*	20.00%	2.33%
High Yield	15.00%	4.48%
Real Estate	12.00%	5.65%
Private Markets	8.00%	7.99%
Timber	5.00%	6.87%
Master Limited Partnerships	8.00%	7.36%
Total	120.00%	

Note: Assumptions are geometric
* levered 2x

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

Discount Rate The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	$2,064,234	$1,651,372	$1,333,692

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	$1,282,815	$1,651,372	$2,148,061

Note 9 – Risk Management

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

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local Cities. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member Cities pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained $350,000 for casualty claims and $100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, (the most recent information available):

PEP Financial Data
Casualty & Property Coverage

	2017	2016
Assets	$44,452,326	$42,182,281
Liabilities	(13,004,011)	(13,396,700)
Net Position:		
Unrestricted	$31,448,315	$28,785,581

At December 31, 2017 the liabilities above include approximately $11.8 million of estimated incurred claims payable. The assets above also include approximately $11.2 million of unpaid claims to be billed. The Pool's membership increased to over 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 10 – Contingent Liability

The City is not party to any legal proceedings.

Note 11 – Interfund Transfers and Advances

Activity for the years ending December 31, 2018:

Fund	Transfer In	Transfer Out	Advance In	Advance Out
Major Funds:				
General Fund	$0	($1,246,260)	$352,711	($440,635)
Police Levy	1,061,260	0	0	0
Emergency Medical Services	0	(100,000)	0	0
Fire Services	0	(100,000)	0	0
Street Capital Improvement	135,000	0	440,635	(352,711)
EMS Capital Improvement	100,000	0	0	0
Other Government Funds	100,000	(22,000)	0	0
Other Enterprise Funds	72,000	0	0	0
	$1,468,260	($1,468,260)	$793,346	($793,346)

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

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

The transfers out of the Emergency Medical Services Fund and into the EMS Capital Improvements Fund were to provide additional resources for EMS related capital improvement projects. The transfers out of the Fire Services Fund and into the Fire Capital Improvement Fund were to provide additional resources for fire related capital improvement projects, the transfers out of the Other Governmental Funds (park capital improvement) and into the Recreation Fund were to provide additional resources for parks and recreation projects.

The advance from the Street Capital Improvement Fund to the General Fund was a repayment of an advance from 2017 that covered negative fund cash balance. The advance from the General Fund to the Street Capital Improvement Fund was to cover the negative fund cash balance.

Note 12 – Accountability and Compliance

ORC Section 5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established. A negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund. The Street Capital Improvement Fund had a negative fund balance of $440,635. Also, the City made principal and interest payments out of the wrong funds.

Note 13 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or 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 the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Police Levy	Emergency Medical Services	Fire Services	EMS Capital Improvements	Other Governmental Funds	Total
Nonspendable							
Unclaimed Monies	$11,664	$0	$0	$0	$0	$0	$11,664
Permanent Endowment	0	0	0	0	0	25,667	25,667
Total Nonspendable	11,664	0	0	0	0	25,667	37,331
Restricted for:							
Emergency Medical Services	0	0	751,711	0	0	0	751,711
Fire Services	0	0	0	836,439	0	0	836,439
Drug Enforcement	0	0	0	0	0	10,980	10,980
Law Enforcement Trust	0	0	0	0	0	10,436	10,436
Federal Law Enforcement	0	0	0	0	0	824	824
Senior Citizens	0	0	0	0	0	219,059	219,059
DUI Education and Enforcement	0	0	0	0	0	7,702	7,702
Street Improvements	0	0	0	0	0	140,920	140,920
State Highway	0	0	0	0	0	38,419	38,419
Motor Vehicle License Tax	0	0	0	0	0	136,902	136,902
Permissive Tax	0	0	0	0	0	60,598	60,598
Police Levy	0	95,041	0	0	0	0	95,041
Street Lights	0	0	0	0	0	140,756	140,756
Police Professional Training	0	0	0	0	0	5,180	5,180
Capital Improvements	0	0	0	0	725,883	402,159	1,128,042
TIF	0	0	0	0	0	62,941	62,941
Total Restricted	0	95,041	751,711	836,439	725,883	1,236,876	3,645,950
Assigned to:							
Encumbrances	81,893	0	0	0	0	0	81,893
Next Year's Budget	166,710	0	0	0	0	0	166,710
Total Assigned	248,603	0	0	0	0	0	248,603
Unassigned (Deficit)	203,566	0	0	0	0	0	203,566
Total Fund Balance	$463,833	$95,041	$751,711	$836,439	$725,883	$1,262,543	$4,135,450

Note 14 – Implementation of New Accounting Principles

For fiscal year 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 85, Omnibus 2017, Statement No. 86, Certain Debt Extinguishment Issues, and Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the City's fiscal year 2018 financial statements; however, there was no effect on beginning fund cash balance.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. These changes were incorporated in the City's fiscal year 2018 financial statements; however, there was no effect on beginning fund cash balance.

GASB Statement No. 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. These changes were incorporated in the City's fiscal year 2018 financial statements; however, there was no effect on beginning fund cash balance.

This Space Intentionally Left Blank

CITY OF GERMANTOWN

Yellow Book Report
December 31, 2018

PLATTENBURG
Certified Public Accountants

This page intentionally left blank.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Germantown (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2019, wherein we noted the City presented financial statements on the modified cash basis of accounting rather than in accordance with accounting principles generally accepted in the United States of America, as disclosed in Note 2.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be a material weakness. See 2018-001 and 2018-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2018-003.

City's Responses to Findings

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

Purpose of this Report

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Dayton, Ohio
June 25, 2019

CITY OF GERMANTOWN
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018

Finding 2018-001 – Material Weakness

The presentation of financial statements and related footnotes that are free of material misstatement is the responsibility of the City's management. Independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

Thus, it is important that management develop control procedures related to preparing financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes in a timely manner prior to audit.

Our audit identified misstatements in the City's financial statements that required adjustment in order to present the financial statements in accordance with the modified cash basis of accounting. During the year the City issued debt that was miscoded in description, amount and fund, and made principal and interest payments out of the wrong funds. This resulted in adjustments to the financial statements. The City had other minor misclassifications and disclosures that were also corrected. These misstatements required adjustments to the City's financial statements.

Recommendation:

The City should develop a systematic, detailed financial statement preparation and review process to help eliminate audit adjustments.

City's Response:

The City agrees with the adjustments and will implement procedures to prevent these issues in the future.

Finding 2018–002 – Material Weakness

During the course of our audit we identified material weaknesses in Internal Control relating payroll processing. The material weaknesses identified were the result of improper operations related to:

- Inadequate separation of duties as there was no oversight over the payroll clerk.
- Required payroll filings (in particular, 941 submissions) were not performed in a timely manner.

The effect of the above issues is the existence of a reasonable possibility that fraud relating to payroll could occur or payroll could be being processed incorrectly.

Recommendation:

The City should implement separation of duties, monitoring and oversight procedures in regards to payroll processing. The City should file reports related to payroll in a timely fashion.

City's Response:

The City will implement separation of duties, monitoring and oversight procedures in regards to payroll processing. The City will file 941's timely.

Finding 2018–003 – Noncompliance

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

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

Recommendation:

The City should prepare financial statements that follow GAAP.

City's Response:

The City evaluated the cost-benefit relationship of preparing GAAP statements versus modified cash financial statements for the year ended December 31, 2018, and determined that the significant cost of compliance exceeds the benefit received.

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF GERMANTOWN

MONTGOMERY COUNTY

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 8, 2019

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