

**CITY OF GERMANTOWN
MONTGOMERY COUNTY**



REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2020

PLATTENBURG
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER



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Members of Council
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, 2019 through December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

May 28, 2021

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**CITY OF GERMANTOWN
MONTGOMERY COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2020**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Germantown (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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, 2020, and the respective changes in modified cash financial position for the year then ended in accordance with the accounting basis described in Note 2.

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 May 11, 2021 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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

May 11, 2021

City of Germantown, Ohio
Statement of Net Position - Modified Cash Basis
December 31, 2020

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$5,046,263	\$1,714,350	\$6,760,613
Total Assets	5,046,263	1,714,350	6,760,613
Net Position:			
Restricted for:			
Senior Citizen	175,664	0	175,664
Street Improvements	93,890	0	93,890
Motor Vehicle License and Permissive Taxes	103,242	0	103,242
Street Lights	169,664	0	169,664
Emergency Medical Services	914,066	0	914,066
Fire Services	776,302	0	776,302
Debt Service	49	0	49
Capital Projects	1,662,050	0	1,662,050
Permanent Fund	25,703	0	25,703
Other Purposes	426,888	0	426,888
Unrestricted	698,745	1,714,350	2,413,095
Total Net Position	\$5,046,263	\$1,714,350	\$6,760,613

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, 2020

	Cash	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
		Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental Activities:							
General Government	\$933,587	\$65,326	\$318,714	\$0	(\$549,547)	\$0	(\$549,547)
Public Safety	2,085,295	171,229	737,679	0	(1,176,387)	0	(1,176,387)
Community Environment	230,916	0	0	0	(230,916)	0	(230,916)
Recreation	0	15,000	0	0	15,000	0	15,000
Transportation	380,521	90,419	381,103	65,000	156,001	0	156,001
Other	29,235	0	0	0	(29,235)	0	(29,235)
Capital Outlay	2,954,779	0	0	0	(2,954,779)	0	(2,954,779)
Debt Service:							
Principal	10,439,410	0	0	0	(10,439,410)	0	(10,439,410)
Interest and Other Charges	183,934	0	0	0	(183,934)	0	(183,934)
Total Governmental Activities	17,237,677	341,974	1,437,496	65,000	(15,393,207)	0	(15,393,207)
Business-Type Activities:							
Water	1,134,737	835,491	0	0	0	(299,246)	(299,246)
Sewer	1,344,018	1,088,808	0	0	0	(255,210)	(255,210)
Refuse	510,349	526,621	0	0	0	16,272	16,272
Stormwater	83,169	76,585	0	0	0	(6,584)	(6,584)
Swimming Pool	113,318	18,634	0	75,500	0	(19,184)	(19,184)
Recreation	72,672	0	0	118,500	0	45,828	45,828
Total Business-Type Activities	3,258,263	2,546,139	0	194,000	0	(518,124)	(518,124)
Totals	\$20,495,940	\$2,888,113	\$1,437,496	\$259,000	(15,393,207)	(518,124)	(15,911,331)
General Receipts:							
Income Taxes					1,745,697	0	1,745,697
Property Taxes Levied for:							
General Purposes					315,023	0	315,023
Special Revenue Purposes					287,387	0	287,387
Grants and Entitlements, Not Restricted					295,678	0	295,678
Investment Earnings					59,339	0	59,339
Other Receipts					354,734	182,461	537,195
Long-Term Capital-Related Debt Issued					5,175,000	488,074	5,663,074
Short-Term Capital-Related Debt Issued					5,700,000	0	5,700,000
Transfers In					0	120,000	120,000
Transfers (Out)					(120,000)	0	(120,000)
Total General Receipts, Debt Issued and Transfers					13,812,858	790,535	14,603,393
Change in Net Position					(1,580,349)	272,411	(1,307,938)
Net Position - Beginning of Year					6,626,612	1,441,939	8,068,551
Net Position - End of Year					\$5,046,263	\$1,714,350	\$6,760,613

See accompanying notes to the basic financial statements.

City of Germantown, Ohio
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
December 31, 2020

	General	Emergency Medical Services	Fire Services	EMS Capital Improvement	Fire Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:							
Equity in Pooled Cash and Investments:	\$698,745	\$914,066	\$776,302	\$895,803	\$573,308	\$1,188,039	\$5,046,263
Total Assets	<u>698,745</u>	<u>914,066</u>	<u>776,302</u>	<u>895,803</u>	<u>573,308</u>	<u>1,188,039</u>	<u>5,046,263</u>
Fund Balances:							
Nonspendable	10,605	0	0	0	0	25,703	36,308
Restricted	0	914,066	776,302	895,803	573,308	1,162,336	4,321,815
Assigned	323,448	0	0	0	0	0	323,448
Unassigned	364,692	0	0	0	0	0	364,692
Total Fund Balances	<u>\$698,745</u>	<u>\$914,066</u>	<u>\$776,302</u>	<u>\$895,803</u>	<u>\$573,308</u>	<u>\$1,188,039</u>	<u>\$5,046,263</u>

See accompanying notes to the basic financial statements

City of Germantown, Ohio
Statement of Receipts, Disbursements
and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Fiscal Year Ended December 31, 2020

	General	Emergency Medical Services	Fire Services	EMS Capital Improvement	Fire Capital Improvement	Other Governmental Funds	Total Governmental Funds
Receipts:							
Property Taxes	\$315,023	\$0	\$0	\$0	\$0	\$287,387	\$602,410
Income Taxes	1,745,697	0	0	0	0	0	1,745,697
Charges for Services	0	169,679	0	0	0	0	169,679
Investment Earnings	59,321	0	0	0	0	18	59,339
Intergovernmental	295,678	309,000	235,500	0	0	957,996	1,798,174
Special Assessments	0	0	0	0	0	90,319	90,319
Fines, Licenses & Permits	65,261	0	0	0	0	16,775	82,036
Other Receipts	186,605	29,238	18,061	0	0	120,770	354,674
Total Receipts	2,667,585	507,917	253,561	0	0	1,473,265	4,902,328
Disbursements:							
Current:							
General Government	614,873	0	0	0	0	318,714	933,587
Public Safety	0	333,548	208,231	0	0	1,543,516	2,085,295
Community Environment	230,916	0	0	0	0	0	230,916
Transportation	0	0	0	0	0	380,521	380,521
Other	29,235	0	0	0	0	0	29,235
Capital Outlay	176,585	0	0	1,192,644	1,192,855	392,695	2,954,779
Debt Service:							
Principal	3,347,500	0	0	3,500,000	3,500,000	91,910	10,439,410
Interest and Other Charges	50,221	0	0	59,718	59,718	14,277	183,934
Total Disbursements	4,449,330	333,548	208,231	4,752,362	4,752,573	2,741,633	17,237,677
Excess of Receipts Over (Under) Disbursements	(1,781,745)	174,369	45,330	(4,752,362)	(4,752,573)	(1,268,368)	(12,335,349)
Other Financing Sources (Uses):							
Issuance of Long-Term Capital-Related Debt	1,075,000	0	0	2,050,000	2,050,000	0	5,175,000
Issuance of Short-Term Notes	2,200,000	0	0	1,750,000	1,750,000	0	5,700,000
Transfers In	0	0	0	0	0	1,503,450	1,503,450
Transfers (Out)	(1,623,450)	0	0	0	0	0	(1,623,450)
Total Other Financing Sources (Uses)	1,651,550	0	0	3,800,000	3,800,000	1,503,450	10,755,000
Net Change in Fund Balance	(130,195)	174,369	45,330	(952,362)	(952,573)	235,082	(1,580,349)
Fund Balance - Beginning of Year	828,940	739,697	730,972	1,848,165	1,525,881	952,957	6,626,612
Fund Balance - End of Year	\$698,745	\$914,066	\$776,302	\$895,803	\$573,308	\$1,188,039	\$5,046,263

See accompanying notes to the basic financial statements.

City of Germantown, Ohio
Statement of Fund Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2020

	Business-Type Activities -Enterprise Funds				
	Water	Sewer	Refuse	Other Enterprise Funds	Total Business-Type Activities
Assets:					
Equity in Pooled Cash and Investments	\$722,002	\$381,000	\$138,589	\$472,759	\$1,714,350
Total Assets	722,002	381,000	138,589	472,759	1,714,350
Net Position:					
Unrestricted	722,002	381,000	138,589	472,759	1,714,350
Total Net Position	\$722,002	\$381,000	\$138,589	\$472,759	1,714,350

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, 2020

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Refuse	Other Enterprise Funds	Total Business-Type Activities
Operating Receipts:					
Charges for Services	\$835,491	\$1,088,808	\$526,621	\$95,219	\$2,546,139
Other Receipts	118,176	45,542	1,000	17,743	182,461
Total Operating Receipts	953,667	1,134,350	527,621	112,962	2,728,600
Operating Expenses:					
Personal Services	248,340	248,168	9,656	130,131	636,295
Contractual Services	159,319	699,733	496,663	75,312	1,431,027
Materials and Supplies	42,417	27,469	3,829	23,833	97,548
Other Expense	1,008	406	201	1,552	3,167
Capital Outlay	408,833	186,910	0	26,345	622,088
Total Operating Expenses	859,917	1,162,686	510,349	257,173	2,790,125
Operating Income (Loss)	93,750	(28,336)	17,272	(144,211)	(61,525)
Non-Operating Receipts (Expenses):					
Principal Retirement	(233,317)	(145,014)	0	(9,599)	(387,930)
Interest and Other Fiscal Charges	(41,503)	(36,318)	0	(2,387)	(80,208)
Issuance of Long-Term Capital-Related Debt	340,131	147,943	0	0	488,074
Total Non-Operating Receipts (Expenses)	65,311	(33,389)	0	(11,986)	19,936
Income (Loss) Before Capital Grants and Contributions, and Transfers	159,061	(61,725)	17,272	(156,197)	(41,589)
Capital Grants and Contributions	0	0	0	194,000	194,000
Transfers In	0	0	0	120,000	120,000
Change in Net Position	159,061	(61,725)	17,272	157,803	272,411
Net Position - Beginning of Year	562,941	442,725	121,317	314,956	1,441,939
Net Position - End of Year	\$722,002	\$381,000	\$138,589	\$472,759	\$1,714,350

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 10 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

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2020

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.

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2020

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

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

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

Fire Capital Improvement – To account for capital purchases for the City’s Fire 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.

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2020

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 \$59,321 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

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2020

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.

City of Germantown, Ohio
Notes to Basic Financial Statements
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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.

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2020

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 December 31, 2020, \$3,446,746 of the City’s bank balance of \$4,159,688 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, 2020, the City had the following investments:

Investment Type	Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Money Market Funds	\$6,185	N/A	0.00
Negotiable Certificates of Deposits	2,695,589	Level 2	2.83
	<u>\$2,701,774</u>		
Portfolio Weighted Average Maturity			2.82

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, 2020.

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.

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2020

Concentration of Credit Risk – The City’s investment policy allows investments in Federal Government Securities or Instrumentalities. The City has invested 99.8% of the City’s investments in negotiable certificates of deposits and 0.2% 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 2020 for real and public utility property taxes represents collections of 2019 taxes.

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due 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. 2020 public utility property taxes which became a lien December 31, 2019, are levied after October 1, 2020, and are collected in 2021 with real property taxes.

The assessed values of real property and public utility tangible property upon which 2020 property tax receipts were based are as follows:

Real Property	\$96,659,780
Public Utility Personal	<u>2,182,230</u>
Total Valuation	<u><u>\$98,842,010</u></u>

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 1.50% 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.

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2020

Note 6 – Short-Term Obligations

A summary of the short-term notes for the year ended December 31, 2020 follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Funds				
<i>Bond Anticipation Notes:</i>				
2019 Building Improvement BAN	\$1,100,000	\$0	\$1,100,000	\$0
2019 Fire Station BAN	3,500,000	0	3,500,000	0
2020 Building Improvement BAN	0	1,100,000	1,100,000	0
2020 Building Improvement BAN	0	1,100,000	1,100,000	0
2020 Fire Station BAN	0	3,500,000	3,500,000	0
Total Short-Term Obligations	<u>\$4,600,000</u>	<u>\$5,700,000</u>	<u>\$10,300,000</u>	<u>\$0</u>

The \$2,200,000 of Building Improvement Bond Anticipation Notes were issued to pay for construction of building improvements. The \$3,500,000 of Fire Station Bond Anticipation Notes were issued to pay for the construction of a new fire station.

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City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2020

Note 7 – Long-Term Debt

Long-term debt outstanding at December 31, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
OPWC Loans from Direct Borrowing:					
CD09P - Cherry Street Improvement Phase 3	\$99,707	\$0	(\$48)	\$99,659	\$4,154
CD32S - Cherry Street Improvement Phase 4	415,247	0	(9,570)	405,677	14,830
CD28T - Cherry Street Improvement Phase 5	377,340	0	(6,620)	370,720	13,240
CD06T - Cherry Street Improvement Phase 6	291,580	0	(4,942)	286,638	9,884
CD22Q - West Market Street Phase 1	597,364	0	(12,710)	584,654	25,420
Other Long-Term Debt:					
2017 Refunding - Various Purpose	384,750	0	(47,500)	337,250	45,000
St Rt / Hickory Pointe	220,500	0	(20,220)	200,280	22,500
Cherry Street Improvements	135,000	0	(15,000)	120,000	15,000
West Market Street Imp Phase I	234,900	0	(22,800)	212,100	22,800
2020 Special Obligation Income Tax Revenue Bonds	0	5,175,000	0	5,175,000	120,000
Total Governmental Activities	2,756,388	5,175,000	(139,410)	7,791,978	292,828
Business-Type Activities:					
OPWC Loans from Direct Borrowing:					
CD14L - Dayton Pike Water Storage Tower	880,578	0	(36,691)	843,887	73,382
CD09P - Cherry Street Improvement Phase 3	66,470	0	(3,414)	63,056	2,770
CD32S - Cherry Street Improvement Phase 4	275,993	0	(2,999)	272,994	10,306
CD28T - Cherry Street Improvement Phase 5	251,561	0	(4,413)	247,148	8,826
CD06T - Cherry Street Improvement Phase 6	194,386	0	(3,295)	191,091	6,589
CD11Q - Sanitary Sewer Rehab Phase 1	76,205	0	(1,524)	74,681	3,048
CD05R - Sanitary Sewer Rehab Phase 2	136,894	0	(2,583)	134,311	5,166
CT08F - Water Booster Station	43,686	0	(3,536)	40,150	7,125
CT08D - Hillcrest Sewer System	26,865	0	(3,292)	23,573	6,633
CD21T - Sanitary Sewer Rehab Phase 3	142,190	0	(2,495)	139,695	4,989
CD15U - Farmersville and Germantown Pike Water Main Phase 1	444,177	0	(7,528)	436,649	15,056
CD09W - Sanitary Sewer Rehab Phase 4	0	147,943	0	147,943	4,932
CD02W - Hale Avenue Water Main Replacement	0	167,926	0	167,926	0
CD07W - Kelly Avenue Water Main	0	172,205	0	172,205	0
Other Long-Term Debt:					
Water Meters	290,000	0	(30,000)	260,000	30,000
East Market Street Water and Sewer	410,000	0	(40,000)	370,000	40,000
West Market Street Imp Phase I	79,500	0	(7,200)	72,300	7,200
Water Chemical Feed Building / Silt Removal	160,000	0	(15,000)	145,000	15,000
Engineering Water and Sewer	140,000	0	(15,000)	125,000	15,000
St Rt / Hickory Pointe	24,500	0	(4,780)	19,720	2,500
2017 Refunding - Various Purpose	470,250	0	(57,500)	412,750	55,000
Mortgage Revenue Water Bond	240,000	0	(76,000)	164,000	80,000
Debt from Direct Borrowing:					
2019 Utility Truck Promissory Note	383,134	0	(70,680)	312,454	73,536
Total Business-Type Activities	4,736,389	488,074	(387,930)	4,836,533	467,058
Total Long-Term Debt	\$7,492,777	\$5,663,074	(\$527,340)	\$12,628,511	\$759,886

City of Germantown, Ohio
Notes to Basic Financial Statements
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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 #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, #CD21T, and #CD09W) consist of loans to fund the Sanitary Sewer Rehabilitation Phase 1, 2, 3, and 4. 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.

Outstanding OPWC notes (Project #CD02W) consist of a loan to fund the Hale Avenue Water Main Replacement. The debt will be repaid from revenues of the City's water system.

Outstanding OPWC notes (Project #CD07W) consist of a loan to fund the Kelly Avenue Water Main Replacement. 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.

City of Germantown, Ohio
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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.

2019 Utility Truck Promissory Note is for City vehicles. The note has an interest rate of 4% and a maturity date of August 16, 2024. The note will be paid from the water and sewer funds.

The Special Obligation Income Tax Revenue bonds were issued in 2020. The bonds have an interest rate of 2.250% to 3.00% and a maturity date of December 1, 2050.

2019 Utility Truck Promissory Note is for City vehicles. The Direct Loan note has an interest rate of 4% and a maturity date of August 16, 2024. The note will be paid from the water and sewer funds. The Direct Loan contain the following provision that for the payment of the principal and the interest thereon, the full faith, credit, and revenue of the City are hereby irrevocably pledged, and for the purpose of providing the necessary funds to pay the interest on the debt promptly when and as the same falls due, and also to provide a fund sufficient to discharge the debt at maturity or upon mandatory sinking fund redemption, there shall be and is hereby levied on all the taxable property in this City within applicable limitations, in addition to all other taxes, a direct tax annually during the period the debt is to run in an amount sufficient to provide funds to pay interest upon the debt as and when the same falls due and also to provide a fund for the discharge of the principal of the debt at maturity or upon mandatory sinking fund redemption, which tax shall not be less than the interest and sinking fund tax required by Article XII, Section 11 of the Constitution of Ohio.

The City's outstanding OPWC Loans of \$4,702,657 all contain a provision that in an event of default, the amount of such default shall bear interest thereafter at the rate of 8 percent per annum until the date of payment, and outstanding amounts become immediately due. Also, the State may direct the county treasurer to pay the outstanding amount from portion of the local government fund that would otherwise be appropriated to the Village.

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City of Germantown, Ohio
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For The Year Ended December 31, 2020

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

Year	General Obligation Bonds		Mortgage Revenue Bonds/ Truck Promissory Note		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$390,000	\$318,209	\$153,536	\$19,970	\$216,350	\$602
2022	395,000	307,423	160,507	12,999	228,217	3,888
2023	405,000	300,769	79,598	5,708	228,356	325
2024	410,000	288,863	82,813	2,492	225,135	183
2025	435,000	281,786	0	0	221,737	93
2026-2030	1,529,400	1,290,237	0	0	1,075,416	0
2031-2035	800,000	1,241,345	0	0	814,777	0
2036-2040	910,000	1,237,681	0	0	704,702	0
2041-2045	1,025,000	1,242,970	0	0	641,949	0
2046-2050	1,150,000	1,237,500	0	0	346,018	0
	<u>\$7,449,400</u>	<u>\$7,746,783</u>	<u>\$476,454</u>	<u>\$41,169</u>	<u>\$4,702,657</u>	<u>\$5,091</u>

Note 8 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension and other postemployment benefits (OPEB).

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

City of Germantown, Ohio
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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 may 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.

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

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description

City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. While employees may elect the member-directed plan or the combined plan, substantially all employees are in the traditional plan; therefore, the following disclosure focuses on the traditional 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 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 plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

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<u>Group A</u> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<u>Group B</u> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<u>Group C</u> Members not in other Groups and members hired on or after January 7, 2013
<u>State and Local</u>	<u>State and Local</u>	<u>State and Local</u>
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
<u>Public Safety</u>	<u>Public Safety</u>	<u>Public Safety</u>
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
<u>Law Enforcement</u>	<u>Law Enforcement</u>	<u>Law Enforcement</u>
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
<u>Public Safety and Law Enforcement</u>	<u>Public Safety and Law Enforcement</u>	<u>Public Safety and Law Enforcement</u>
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. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). 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 on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that 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

City of Germantown, Ohio
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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 annuitization of the benefit (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.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

Funding Policy

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2020 Statutory Maximum Contribution Rates			
Employer	14.00%	18.10%	18.10%
Employee (a)	10.00%	(b)	(c)
2020 Actual Contribution Rates			
Employer:			
Pension (d)	14.00%	18.10%	18.10%
Post-employment Health Care Benefits (d)	0.00%	0.00%	0.00%
Total Employer	<u>14.00%</u>	<u>18.10%</u>	<u>18.10%</u>
Employee	<u>10.00%</u>	<u>12.00%</u>	<u>13.00%</u>

(a) Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

(b) This rate is determined by OPERS' Board and has no maximum rate established by

(c) This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2% greater than the Public Safety rate.

(d) These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4% 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 2020, the City's contractually required contribution was \$145,218.

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

Plan Description

City full-time police and firefighters 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 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 2.50 percent for each of the first 20 years of service credit, 2.00 percent for each of the next five years of service credit and 1.50 percent for each year of service credit in excess of 25 years. The maximum pension of 72.00 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, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index over the 12 month period ending on September 30th of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

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City of Germantown, Ohio
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Funding Policy

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

	<u>Police</u>	<u>Firefighters</u>
2020 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2020 Actual Contribution Rates		
Employer:		
Pension	19.00%	23.50%
Post-Employment Health Care Benefits	<u>0.50%</u>	<u>0.50%</u>
Total Employer	<u>19.50%</u>	<u>24.00%</u>
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 \$141,107 for 2020.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net pension liability (asset) 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:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
	<u>Traditional Plan</u>		
Proportionate Share of the:			
Net Pension Liability	\$1,353,356	\$1,864,625	\$3,217,981
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00684700%	0.02767930%	
Prior Measurement Date	<u>0.00635200%</u>	<u>0.02875000%</u>	
Change in Proportionate Share	<u>0.00049500%</u>	<u>-0.00107070%</u>	

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are

City of Germantown, Ohio
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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, 2019, 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, 2019, are presented below.

	OPERS Traditional Plan
Wage Inflation	3.25%
Future Salary Increases	3.25% to 10.75% (includes wage inflation)
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.00%, Simple
Post-January 7, 2013 Retirees	1.40%, Simple through 2020, then 2.15%, Simple
Investment Rate of Return	7.20%
Actuarial Cost Method	Individual Entry Age

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 3 percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 then 2.15 percent simple.

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.

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

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performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2 percent for 2019.

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 long-term expected 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. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00%	1.83%
Domestic Equities	19.00%	5.75%
Real Estate	10.00%	5.20%
Private Equity	12.00%	10.70%
International Equities	21.00%	7.66%
Other Investments	13.00%	4.98%
Total	100.00%	5.61%

Discount Rate

The discount rate used to measure the total pension liability was 7.2 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 for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 (asset) calculated using the current period discount rate assumption of 7.2 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Proportionate share of the net pension liability	\$2,232,122	\$1,353,356	\$563,371

Changes in Assumptions or Benefit Terms Since the Last Measurement Date, and Changes from the Measurement Date to the Report Date

There were no recent significant changes of pension benefit terms, health care plans, investment policies, the size or composition of the population covered by the benefit terms and health care plans impacting the actuarial valuation studies for pension and health care for the measurement date of December 31, 2019.

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. 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, 2019, are presented below.

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Salary Increases	3.75% to 10.50%
Payroll Growth	3.25% per annum, compounded annually, consisting of Inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of Living Adjustments	3.00% Simple; 2.20% Simple for increases based on the lesser of the increase in CPI and 3.00%

Healthy Mortality

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

City of Germantown, Ohio
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Age	Police	Fire
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

Disabled Mortality

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

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 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, 2019, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00%	1.00%
Domestic Equity	16.00%	5.40%
Non-US Equity	16.00%	5.80%
Private Markets	8.00%	8.00%
Core Fixed Income*	23.00%	2.70%
High Yield Fixed Income	7.00%	4.70%
Private Credit	5.00%	5.50%
U.S. Inflation Linked Bonds*	17.00%	2.50%
Master Limited Partnerships	8.00%	6.60%
Real Assets	8.00%	7.40%
Private Real Estate	12.00%	6.40%
Total	120.00%	

Note: Assumptions are geometric

** levered 2x*

City of Germantown, Ohio
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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 the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate

Total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, OP&F’s fiduciary net position was projected to be available to make all future benefit payment 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 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate. 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%)
Proportionate share of the net pension liability	\$2,584,306	\$1,864,625	\$1,262,684

Changes in Assumptions or Benefit Terms Since the Last Measurement Date, and Changes from the Measurement Date to the Report Date

There have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation studies as of the pension plan for the measurement date.

Note 9 – Postemployment Benefits

See Note 8 for a description of the net OPEB liability.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Health Care Plan Description

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment 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 separation, member-

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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 with a minimum age of 60, or generally 30 years of qualifying service at any age. 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 Comprehensive Annual Financial Report referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting 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 allowing 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, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 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. For 2020, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2020 was 4.0 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 2020.

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

Health Care 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 health care 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. On January 1, 2019, OP&F implemented a new model for health care. Under this new

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model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental 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 19.50 percent and 24.00 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50 percent of covered payroll for police employer units and 24.00 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, 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.

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

The City's contractually required contribution to OP&F was \$3,713 for 2020.

Net OPEB Liability

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net OPEB liability was based on the City's share of contributions to the

City of Germantown, Ohio
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retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS		
	<u>Traditional Plan</u>	<u>OPF</u>	<u>Total</u>
Proportionate Share of the:			
Net OPEB Liability	\$1,052,381	\$273,409	\$1,325,790
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.00761900%	0.02767930%	
Prior Measurement Date	<u>0.00708500%</u>	<u>0.02875000%</u>	
Change in Proportionate Share	<u>0.00053400%</u>	<u>-0.00107070%</u>	

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 health care costs 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 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, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25%
Projected Salary	3.25% to 10.75%
	(including wage inflation)

Single Discount Rate:

Current measurement date	3.16%
Prior Measurement date	3.96%
Investment Rate of Return	6.00%

Municipal Bond Rate:

Current measurement date	2.75%
Prior Measurement date	3.71%

Health Care Cost Trend Rate:

Current measurement date	10.50% initial, 3.50% ultimate in 2030
Prior Measurement date	10.00% initial, 3.25% ultimate in 2029

Actuarial Cost Method	Individual Entry Age, Normal
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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

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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.

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

The allocation of investment assets within 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 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. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36%	1.53%
Domestic Equities	21%	5.75%
Real Estate Investment Trusts	6%	5.69%
International Equities	23%	7.66%
Other investments	14%	4.90%
Total	100%	4.55%

Discount Rate

A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to

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be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 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 3.16 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 (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Proportionate share of the net OPEB liability	\$1,377,210	\$1,052,381	\$792,300

Sensitivity of the 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 2020 is 10.50 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 3.50 percent in the most recent valuation.

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2020

	<u>1% Decrease</u>	Current Health Care Cost Trend Rate <u>Assumption</u>	<u>1% Increase</u>
Proportionate share of the net OPEB liability	\$1,021,327	\$1,052,381	\$1,083,041

Changes between Measurement Date and Reporting Date

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

Actuarial Assumptions – OP&F

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

Projections of 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.

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City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2020

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

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Single discount rate:	
Current measurement date	3.56%
Prior measurement date	4.66%
Cost of Living Adjustments	3.00% Simple; 2.20% Simple for increases based on the lesser of the increase in CPI and 3.00%

Healthy Mortality

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

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

Disabled Mortality

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

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

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

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

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2020

return for each major asset class included in OP&F's target asset allocation as of December 31, 2019, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00%	1.00%
Domestic Equity	16.00%	5.40%
Non-US Equity	16.00%	5.80%
Private Markets	8.00%	8.00%
Core Fixed Income*	23.00%	2.70%
High Yield Fixed Income	7.00%	4.70%
Private Credit	5.00%	5.50%
U.S. Inflation Linked Bonds*	17.00%	2.50%
Master Limited Partnerships	8.00%	6.60%
Real Assets	8.00%	7.40%
Private Real Estate	12.00%	6.40%
Total	120.00%	

Note: Assumptions are geometric

** levered 2x*

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

Discount Rate

For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 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 of 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 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2033, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.56 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 (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2020

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Proportionate share of the net OPEB liability	\$339,009	\$273,409	\$218,899

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

Changes between Measurement Date and Report Date

There was a decrease in the discount rate from 4.66 percent at prior measurement date to 3.56 percent at the current measurement date. There are no changes to benefit terms.

Note 10 – 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, 2019, 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):

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2020

PEP Financial Data
Casualty & Property Coverage

	<u>2019</u>	<u>2018</u>
Assets	\$54,973,597	\$49,921,998
Liabilities	(16,440,940)	(14,676,199)
Net Position:		
Unrestricted	<u>\$38,532,657</u>	<u>\$35,245,799</u>

At December 31, 2019 the liabilities above include approximately \$14.7 million of estimated incurred claims payable. The assets above also include approximately \$11.7 million of unpaid claims to be billed. The Pool's membership increased to over 535 members in 2019. 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 11 – Contingent Liability

The City is not party to any legal proceedings.

Note 12 – Interfund Transfers and Advances

Activity for the years ending December 31, 2020:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds:		
General Fund	\$0	\$1,623,450
Other Government Funds	1,503,450	0
Other Enterprise Funds	<u>120,000</u>	<u>0</u>
	<u>\$1,623,450</u>	<u>\$1,623,450</u>

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2020

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.

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	Emergency Medical Services	Fire Services	EMS Capital Improvements	Fire Capital Improvements	Other Governmental Funds	Total
Nonspendable							
Unclaimed Monies	\$10,605	\$0	\$0	\$0	\$0	\$0	\$10,605
Permanent Endowment	0	0	0	0	0	25,703	25,703
Total Nonspendable	10,605	0	0	0	0	25,703	36,308
Restricted for:							
Street Capital Improvement	0	0	0	0	0	117,701	117,701
Emergency Medical Services	0	914,066	0	0	0	0	914,066
Fire Services	0	0	776,302	0	0	0	776,302
Drug Law Enforcement	0	0	0	0	0	12,044	12,044
Law Enforcement Trust	0	0	0	0	0	7,205	7,205
Federal Law Enforcement	0	0	0	0	0	2,374	2,374
Senior Citizens	0	0	0	0	0	175,664	175,664
DUI Education and Enforcement	0	0	0	0	0	7,987	7,987
Parks Capital Improvement	0	0	0	0	0	18,159	18,159
Street Improvements	0	0	0	0	0	93,890	93,890
State Highway	0	0	0	0	0	47,906	47,906
Motor Vehicle License Tax	0	0	0	0	0	102,504	102,504
Permissive Tax	0	0	0	0	0	738	738
Police Levy	0	0	0	0	0	344,192	344,192
Street Lights	0	0	0	0	0	169,664	169,664
Warren Street Reconstruction	0	0	0	0	0	49	49
Fire Capital Improvement	0	0	0	0	573,308	0	573,308
Police Professional Training	0	0	0	0	0	5,180	5,180
Capital Improvements	0	0	0	895,803	0	0	895,803
TIF	0	0	0	0	0	57,079	57,079
Total Restricted	0	914,066	776,302	895,803	573,308	1,162,336	4,321,815
Assigned to:							
Encumbrances	113,918	0	0	0	0	0	113,918
Next Year's Budget	209,530	0	0	0	0	0	209,530
Total Assigned	323,448	0	0	0	0	0	323,448
Unassigned (Deficit)	364,692	0	0	0	0	0	364,692
Total Fund Balance	\$698,745	\$914,066	\$776,302	\$895,803	\$573,308	\$1,188,039	\$5,046,263

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2020

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures could impact subsequent periods of the City. The City's investment portfolio could potentially incur a significant decline in fair value, in 2021, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, the impact of the investments of the pension and other employee benefit plan in which the City participates and any recovery from emergency funding, either federal or state, cannot be estimated.

**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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 11, 2021, 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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 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 an instance 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 2020-001.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. The City's response was 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.

Plattensburg & Associates, Inc.

Plattensburg & Associates, Inc.
Dayton, Ohio
May 11, 2021

**CITY OF GERMANTOWN
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020**

Finding 2020-001 – 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 and determined that the significant cost of compliance exceeds the benefit received.

**CITY OF GERMANTOWN
MONTGOMERY COUNTY**



REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2019

PLATTENBURG
Certified Public Accountants

**CITY OF GERMANTOWN
MONTGOMERY COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Germantown (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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, 2019, and the respective changes in modified cash financial position for the year then ended in accordance with the accounting basis described in Note 2.

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 May 11, 2021 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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

May 11, 2021

City of Germantown, Ohio
Statement of Net Position - Modified Cash Basis
December 31, 2019

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$6,626,612	\$1,441,939	\$8,068,551
Total Assets	<u>6,626,612</u>	<u>1,441,939</u>	<u>8,068,551</u>
Net Position:			
Restricted for:			
Senior Citizen	214,380	0	214,380
Street Improvements	91,152	0	91,152
Motor Vehicle License and Permissive Taxes	158,788	0	158,788
Street Lights	155,966	0	155,966
Emergency Medical Services	739,697	0	739,697
Fire Services	730,972	0	730,972
Capital Projects	3,556,879	0	3,556,879
Permanent Fund	25,685	0	25,685
Other Purposes	124,153	0	124,153
Unrestricted	<u>828,940</u>	<u>1,441,939</u>	<u>2,270,879</u>
Total Net Position	<u>\$6,626,612</u>	<u>\$1,441,939</u>	<u>\$8,068,551</u>

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, 2019

	Cash	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
		Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental Activities:							
General Government	\$810,091	\$57,773	\$0	\$0	(\$752,318)	\$0	(\$752,318)
Public Safety	2,486,816	106,310	737,701	0	(1,642,805)	0	(1,642,805)
Community Environment	91,433	9,230	0	0	(82,203)	0	(82,203)
Recreation	0	25,000	0	0	25,000	0	25,000
Transportation	432,524	89,498	327,356	99,527	83,857	0	83,857
Other	7,716	0	0	0	(7,716)	0	(7,716)
Capital Outlay	2,424,952	0	0	0	(2,424,952)	0	(2,424,952)
Debt Service:							
Principal	162,778	0	0	0	(162,778)	0	(162,778)
Interest and Other Charges	29,916	0	0	0	(29,916)	0	(29,916)
Total Governmental Activities	6,446,226	287,811	1,065,057	99,527	(4,993,831)	0	(4,993,831)
Business-Type Activities:							
Water	1,142,237	760,449	0	0	0	(381,788)	(381,788)
Sewer	1,253,033	1,011,602	0	0	0	(241,431)	(241,431)
Refuse	502,800	509,920	0	0	0	7,120	7,120
Stormwater	88,701	62,583	0	0	0	(26,118)	(26,118)
Swimming Pool	163,851	79,561	0	75,500	0	(8,790)	(8,790)
Recreation	185,893	0	0	76,681	0	(109,212)	(109,212)
Total Business-Type Activities	3,336,515	2,424,115	0	152,181	0	(760,219)	(760,219)
Totals	\$9,782,741	\$2,711,926	\$1,065,057	\$251,708	(4,993,831)	(760,219)	(5,754,050)

General Receipts:			
Income Taxes	1,802,971	0	1,802,971
Property Taxes Levied for:			
General Purposes	307,372	0	307,372
Special Revenue Purposes	290,944	0	290,944
Grants and Entitlements, Not Restricted	129,673	0	129,673
Unrestricted Contributions	250,000	0	250,000
Investment Earnings	60,855	0	60,855
Other Receipts	117,178	61,499	178,677
Long-Term Capital-Related Debt Issued	0	635,804	635,804
Short-Term Capital-Related Debt Issued	4,600,000	0	4,600,000
Transfers In	0	74,000	74,000
Transfers (Out)	(74,000)	0	(74,000)
Total General Receipts, Debt Issued and Transfers	7,484,993	771,303	8,256,296
Change in Net Position	2,491,162	11,084	2,502,246
Net Position - Beginning of Year	4,135,450	1,430,855	5,566,305
Net Position - End of Year	\$6,626,612	\$1,441,939	\$8,068,551

See accompanying notes to the basic financial statements.

City of Germantown, Ohio
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
December 31, 2019

	General	Police Levy	Emergency Medical Services	Fire Services	EMS Capital Improvement	Fire Capital Improvement
Assets:						
Equity in Pooled Cash and Investments	\$828,940	\$61,620	\$739,697	\$730,972	\$1,848,165	\$1,525,881
Total Assets	828,940	61,620	739,697	730,972	1,848,165	1,525,881
Fund Balances:						
Nonspendable	11,385	0	0	0	0	0
Restricted	0	61,620	739,697	730,972	1,848,165	1,525,881
Assigned	559,622	0	0	0	0	0
Unassigned	257,933	0	0	0	0	0
Total Fund Balances	\$828,940	\$61,620	\$739,697	\$730,972	\$1,848,165	\$1,525,881

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$891,337	\$6,626,612
<u>891,337</u>	<u>6,626,612</u>
25,685	37,070
865,652	5,771,987
0	559,622
0	257,933
<u>\$891,337</u>	<u>\$6,626,612</u>

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, 2019

	General	Police Levy	Emergency Medical Services	Fire Services	EMS Capital Improvement	Fire Capital Improvement
Receipts:						
Property Taxes	\$307,372	\$290,944	\$0	\$0	\$0	\$0
Income Taxes	1,802,971	0	0	0	0	0
Charges for Services	0	0	106,310	0	0	0
Investment Earnings	60,837	0	0	0	0	0
Intergovernmental	129,673	43,201	309,000	235,500	0	0
Special Assessments	0	0	0	0	0	0
Fines, Licenses & Permits	66,923	0	0	0	0	0
Other Receipts	67,569	26,360	5,993	3,514	125,000	125,000
Total Receipts	2,435,345	360,505	421,303	239,014	125,000	125,000
Disbursements:						
Current:						
General Government	804,229	0	0	0	0	0
Public Safety	0	1,542,876	433,317	344,481	0	0
Community Environment	91,433	0	0	0	0	0
Transportation	0	0	0	0	0	0
Other	7,716	0	0	0	0	0
Capital Outlay	517,772	0	0	0	752,718	749,119
Debt Service:						
Principal	49,091	0	0	0	0	0
Interest and Other Charges	6,882	0	0	0	0	0
Total Disbursements	1,477,123	1,542,876	433,317	344,481	752,718	749,119
Excess of Receipts Over (Under) Disbursements	958,222	(1,182,371)	(12,014)	(105,467)	(627,718)	(624,119)
Other Financing Sources (Uses):						
Issuance of Short-Term Notes	1,100,000	0	0	0	1,750,000	1,750,000
Advances In	440,635	0	0	0	0	0
Advances (Out)	0	0	0	0	0	0
Transfers In	0	1,148,950	0	0	0	0
Transfers (Out)	(2,133,750)	0	0	0	0	0
Total Other Financing Sources (Uses)	(593,115)	1,148,950	0	0	1,750,000	1,750,000
Net Change in Fund Balance	365,107	(33,421)	(12,014)	(105,467)	1,122,282	1,125,881
Fund Balance - Beginning of Year	463,833	95,041	751,711	836,439	725,883	400,000
Fund Balance - End of Year	\$828,940	\$61,620	\$739,697	\$730,972	\$1,848,165	\$1,525,881

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$0	\$598,316
0	1,802,971
0	106,310
18	60,855
576,883	1,294,257
88,534	88,534
26,124	93,047
13,662	367,098
<u>705,221</u>	<u>4,411,388</u>
5,862	810,091
166,142	2,486,816
0	91,433
432,524	432,524
0	7,716
405,343	2,424,952
113,687	162,778
23,034	29,916
<u>1,146,592</u>	<u>6,446,226</u>
<u>(441,371)</u>	<u>(2,034,838)</u>
0	4,600,000
0	440,635
(440,635)	(440,635)
934,800	2,083,750
(24,000)	(2,157,750)
<u>470,165</u>	<u>4,526,000</u>
28,794	2,491,162
<u>862,543</u>	<u>4,135,450</u>
<u>\$891,337</u>	<u>\$6,626,612</u>

City of Germantown, Ohio
Statement of Fund Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2019

	Business-Type Activities -Enterprise Funds				
	Water	Sewer	Refuse	Other Enterprise Funds	Total Business-Type Activities
Assets:					
Equity in Pooled Cash and Investments	\$562,941	\$442,725	\$121,317	\$314,956	\$1,441,939
Total Assets	562,941	442,725	121,317	314,956	1,441,939
Net Position:					
Unrestricted	562,941	442,725	121,317	314,956	1,441,939
Total Net Position	\$562,941	\$442,725	\$121,317	\$314,956	\$1,441,939

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, 2019

	Business-Type Activities -Enterprise Funds				
	Water	Sewer	Refuse	Other Enterprise Funds	Total Business-Type Activities
Operating Receipts:					
Charges for Services	\$760,449	\$1,011,602	\$509,920	\$142,144	\$2,424,115
Other Receipts	36,911	6,806	159	17,623	61,499
Total Operating Receipts	797,360	1,018,408	510,079	159,767	2,485,614
Operating Expenses:					
Personal Services	200,786	200,600	9,583	165,321	576,290
Contractual Services	161,282	641,495	490,201	75,874	1,368,852
Materials and Supplies	38,905	34,318	2,928	28,729	104,880
Other Expense	577	98	88	1,707	2,470
Capital Outlay	466,675	222,418	0	145,882	834,975
Total Operating Expenses	868,225	1,098,929	502,800	417,513	2,887,467
Operating Income (Loss)	(70,865)	(80,521)	7,279	(257,746)	(401,853)
Non-Operating Receipts (Expenses):					
Principal Retirement	(234,455)	(111,071)	0	(18,203)	(363,729)
Interest and Other Fiscal Charges	(39,557)	(43,033)	0	(2,729)	(85,319)
Issuance of Long-Term Capital-Related Debt	444,237	191,567	0	0	635,804
Total Non-Operating Receipts (Expenses)	170,225	37,463	0	(20,932)	186,756
Income (Loss) Before Capital Grants and Contributions, and Transfers	99,360	(43,058)	7,279	(278,678)	(215,097)
Capital Grants and Contributions	0	0	0	152,181	152,181
Transfers In	0	0	10,000	64,000	74,000
Change in Net Position	99,360	(43,058)	17,279	(62,497)	11,084
Net Position - Beginning of Year	463,581	485,783	104,038	377,453	1,430,855
Net Position - End of Year	\$562,941	\$442,725	\$121,317	\$314,956	\$1,441,939

See accompanying notes to the basic financial statements.

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2019

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 10 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

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2019

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.

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2019

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

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

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

Fire Capital Improvement – To account for capital purchases for the City’s Fire 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.

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2019

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 \$60,837 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

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2019

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.

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2019

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.

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2019

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, 2019, \$4,887,098 of the City’s bank balance of \$5,597,386 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, 2019, the City had the following investments:

Investment Type	Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Money Market Funds	\$57,867	N/A	0.00
Negotiable Certificates of Deposits	<u>2,590,668</u>	Level 2	2.74
	<u>\$2,648,535</u>		
Portfolio Weighted Average Maturity			2.68

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, 2019.

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.

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2019

Concentration of Credit Risk – The City’s investment policy allows investments in Federal Government Securities or Instrumentalities. The City has invested 97.8% of the City’s investments in negotiable certificates of deposits and 2.2% 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 2019 for real and public utility property taxes represents collections of 2018 taxes.

2019 real property taxes are levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

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. 2019 public utility property taxes which became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The assessed values of real property and public utility tangible property upon which 2019 property tax receipts were based are as follows:

Real Property	\$95,459,460
Public Utility Personal	<u>2,005,370</u>
Total Valuation	<u><u>\$97,464,830</u></u>

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 1.50% 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.

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2019

Note 6 – Short-Term Obligations

A summary of the short-term notes for the year ended December 31, 2019 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Funds				
<i>Bond Anticipation Notes:</i>				
2019 Building Improvement BAN	\$0	\$1,100,000	\$0	\$1,100,000
2019 Fire Station BAN	<u>0</u>	<u>3,500,000</u>	<u>0</u>	<u>3,500,000</u>
Total Short-Term Obligations	<u><u>\$0</u></u>	<u><u>\$4,600,000</u></u>	<u><u>\$0</u></u>	<u><u>\$4,600,000</u></u>

The \$1,100,000 of Building Improvement Bond Anticipation Notes were issued to pay for construction of building improvements. The \$3,500,000 of Fire Station Bond Anticipation Notes were issued to pay for the construction of a new fire station.

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City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2019

Note 7 – Long-Term Debt

Long-term debt outstanding at December 31, 2019 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
OPWC Loans from Direct Borrowing:					
CD09P - Cherry Street Improvement Phase 3	\$103,861	\$0	(\$4,154)	\$99,707	\$4,154
CD32S - Cherry Street Improvement Phase 4	430,077	0	(14,830)	415,247	14,830
CD02L - Dayton Pike Resurfacing	4,093	0	(4,093)	0	0
CD28T - Cherry Street Improvement Phase 5	390,580	0	(13,240)	377,340	13,240
CD06T - Cherry Street Improvement Phase 6	296,522	0	(4,942)	291,580	9,884
CD22Q - West Market Street Phase 1	622,783	0	(25,419)	597,364	25,419
Other Long-Term Debt:					
2017 Refunding - Various Purpose	429,750	0	(45,000)	384,750	47,250
St Rt / Hickory Pointe	238,500	0	(18,000)	220,500	22,500
Cherry Street Improvements	145,000	0	(10,000)	135,000	15,000
West Market Street Imp Phase I	258,000	0	(23,100)	234,900	22,800
Total Governmental Activities	2,919,166	0	(162,778)	2,756,388	175,077
Business-Type Activities:					
OPWC Loans from Direct Borrowing:					
CD14L - Dayton Pike Water Storage Tower	953,959	0	(73,381)	880,578	73,381
CD09P - Cherry Street Improvement Phase 3	69,240	0	(2,770)	66,470	2,770
CD32S - Cherry Street Improvement Phase 4	286,299	0	(10,306)	275,993	10,306
CD28T - Cherry Street Improvement Phase 5	260,387	0	(8,826)	251,561	8,826
CD06T - Cherry Street Improvement Phase 6	197,681	0	(3,295)	194,386	6,589
CD11Q - Sanitary Sewer Rehab Phase 1	79,253	0	(3,048)	76,205	3,048
CD05R - Sanitary Sewer Rehab Phase 2	142,060	0	(5,166)	136,894	5,166
CT08F - Water Booster Station	50,688	0	(7,002)	43,686	7,054
CT08D - Hillcrest Sewer System	33,383	0	(6,518)	26,865	6,600
CD21T - Sanitary Sewer Rehab Phase 3	147,179	0	(4,989)	142,190	4,989
CD15U - Farmersville and Germantown Pike Water Main Phase 1	199,035	252,670	(7,528)	444,177	15,056
Other Long-Term Debt:					
Water Meters	315,000	0	(25,000)	290,000	30,000
East Market Street Water and Sewer	450,000	0	(40,000)	410,000	40,000
West Market Street Imp Phase I	86,400	0	(6,900)	79,500	7,200
Water Chemical Feed Building / Silt Removal	175,000	0	(15,000)	160,000	15,000
Engineering Water and Sewer	155,000	0	(15,000)	140,000	15,000
St Rt / Hickory Pointe	26,500	0	(2,000)	24,500	2,500
2017 Refunding - Various Purpose	525,250	0	(55,000)	470,250	57,750
Mortgage Revenue Water Bond	312,000	0	(72,000)	240,000	76,000
Debt from Direct Borrowing:					
2019 Utility Truck Promissory Note	0	383,134	0	383,134	70,680
Total Business-Type Activities	4,464,314	635,804	(363,729)	4,736,389	457,915
Total Long-Term Debt	\$7,383,480	\$635,804	(\$526,507)	\$7,492,777	\$632,992

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.

City of Germantown, Ohio
Notes to Basic Financial Statements
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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. The debt was paid off in 2019.

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.

City of Germantown, Ohio
Notes to Basic Financial Statements
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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.

2019 Utility Truck Promissory Note is for City vehicles. The Direct Loan note has an interest rate of 4% and a maturity date of August 16, 2024. The note will be paid from the water and sewer funds. The Direct Loan contain the following provision that for the payment of the principal and the interest thereon, the full faith, credit, and revenue of the City are hereby irrevocably pledged, and for the purpose of providing the necessary funds to pay the interest on the debt promptly when and as the same falls due, and also to provide a fund sufficient to discharge the debt at maturity or upon mandatory sinking fund redemption, there shall be and is hereby levied on all the taxable property in this City within applicable limitations, in addition to all other taxes, a direct tax annually during the period the debt is to run in an amount sufficient to provide funds to pay interest upon the debt as and when the same falls due and also to provide a fund for the discharge of the principal of the debt at maturity or upon mandatory sinking fund redemption, which tax shall not be less than the interest and sinking fund tax required by Article XII, Section 11 of the Constitution of Ohio.

The City's outstanding OPWC Loans of \$4,320,243 all contain a provision that in an event of default, the amount of such default shall bear interest thereafter at the rate of 8 percent per annum until the date of payment, and outstanding amounts become immediately due. Also, the State may direct the county treasurer to pay the outstanding amount from portion of the local government fund that would otherwise be appropriated to the City.

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

Year	General Obligation Bonds		Mortgage Revenue Bonds/ Truck Promissory Note		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$275,000	\$75,585	\$146,680	\$26,626	\$211,312	\$670
2021	270,000	67,618	153,536	19,970	211,488	533
2022	280,000	59,755	160,507	12,999	211,626	395
2023	285,000	51,551	79,598	5,708	211,830	254
2024	290,000	43,245	82,813	2,492	205,038	130
2025-2029	1,149,400	84,010	0	0	995,866	56
2030-2034	0	0	0	0	768,166	0
2035-2039	0	0	0	0	621,402	0
2040-2044	0	0	0	0	576,352	0
2045-2049	0	0	0	0	307,163	0
	<u>\$2,549,400</u>	<u>\$381,764</u>	<u>\$623,134</u>	<u>\$67,795</u>	<u>\$4,320,243</u>	<u>\$2,038</u>

Note 8 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension and other postemployment benefits (OPEB).

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 opers.org/financial/reports.shtml, by

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2019

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):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	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.

City of Germantown, Ohio
Notes to Basic Financial Statements
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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 3.00% 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 3.00%.

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% 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:

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2019 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee *	10.0 %	**	***
2019 Actual Contribution Rates			
Employer:			
Pension ****	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits ****	0.0	0.0	0.0
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* Member contributions within the combined plan are not used to fund the defined benefit 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.

City of Germantown, Ohio
Notes to Basic Financial Statements
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Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

For 2019, the City's contractually required contribution was \$134,863.

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 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 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72% of the allowable average annual salary is paid after 33 years of service credit (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 3.00% 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:

City of Germantown, Ohio
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For The Year Ended December 31, 2019

	<u>Police</u>	<u>Firefighters</u>
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2019 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
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 \$138,445 for 2019.

Pension Liability

The net pension liability for OPERS was measured as of December 31, 2018, 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, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. 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:

	<u>OPERS</u>		<u>Total</u>
	<u>Traditional Plan</u>	<u>OP&F</u>	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00635200%	0.02875000%	0.03510200%
Prior Measurement Date	<u>0.00609200%</u>	<u>0.02914600%</u>	<u>0.03523800%</u>
Change in Proportionate Share	<u>0.00026000%</u>	<u>-0.00039600%</u>	<u>0.07034000%</u>
Proportionate Share of the:			
Net Pension Liability	\$1,739,684	\$2,346,760	\$4,086,444

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.

City of Germantown, Ohio
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For The Year Ended December 31, 2019

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, 2018, 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, 2018, are presented below.

	<u>OPERS Traditional Plan</u>
Wage Inflation	3.25%
Projected Salary Increases	3.25% to 10.75% (includes wage inflation at 3.25%)
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.00% Simple
Post-January 7, 2013 Retirees	3.00% Simple through 2018, then 2.15% Simple
Investment Rate of Return	7.20%
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 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 2018, 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 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

City of Germantown, Ohio
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performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94% for 2018.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board 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 following table displays the Board-approved asset allocation policy for 2018 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%	2.79%
Domestic Equities	19.00%	6.21%
Real Estate	10.00%	4.90%
Private Equity	10.00%	10.81%
International Equities	20.00%	7.83%
Other Investments	18.00%	5.50%
Total	100.00%	5.95%

Discount Rate

The discount rate used to measure the total pension liability was 7.20% for the Traditional Pension Plan, Combined Plan and Member-Directed 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 benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the net pension liability or asset calculated using the discount rate of 7.20%, and the expected net pension liability or asset if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Net pension liability:			
OPERS	\$2,570,019	\$1,739,684	\$1,049,668

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.50% to 7.20%.

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, 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, 2018:

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.00%
Salary Increases	3.75% to 10.50%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of Living Adjustments	3.00% Simple; 2.20% Simple for increased based on the lesser of the increase in CPI and 3.00%

Healthy Mortality

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

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

City of Germantown, Ohio
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Disabled Mortality

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

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

The actuarial assumptions used in the valuation are based on the results of a five-year experience review covering the period 2012-2016. The experience study was performed by OP&F's prior actuary and the assumptions were effective January 1, 2017.

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 OP&F's Statement of Investment Policy. A forecasted rate of inflation serves as a baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00%	0.80%
Domestic Equity	16.00%	5.50%
Non-US Equity	16.00%	5.90%
Private Markets	8.00%	8.40%
Core Fixed Income*	23.00%	2.60%
High Yield Fixed Income	7.00%	4.80%
Private Credit	5.00%	7.50%
U.S. Inflation Linked Bonds*	17.00%	2.30%
Master Limited Partnerships	8.00%	6.40%
Real Assets	8.00%	7.00%
Private Real Estate	12.00%	6.10%
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 the relationship between asset

City of Germantown, Ohio
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classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate

Total pension liability was calculated using the discount rate of 8.00%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, OP&F's fiduciary net position was projected to be available to make all future benefit payment 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 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate. To illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 8.00%, 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%, or one percentage point higher, 9.00%, than the current rate:

	1% Decrease <u>(7.00%)</u>	Discount Rate <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
Net pension liability:			
OP&F	\$3,084,654	\$2,346,760	\$1,730,143

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, 2018, with actuarial liability rolled forward to December 31, 2018.

Note 9 – Postemployment Benefits

See note 8 for a description of the net OPEB liability (asset).

Plan Description – Ohio Public Employees Retirement System (OPERS)

Health Care 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

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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 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. During 2019, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0% of earnable salary and public safety and law enforcement employers contributed at 18.1%. 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% 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% 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 2018 was 4.00%.

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

The City's contractually required contribution was \$0 for 2019.

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

Health Care 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

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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 19.50% and 24.00% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% 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 2019, the portion of employer contributions allocated to health care was 0.50% 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.

On 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 City's contractually required contribution to OP&F was \$3,643 for 2019.

City of Germantown, Ohio
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Net OPEB Liability

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, 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, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. 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:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.00708500%	0.02875000%	0.03583500%
Prior Measurement Date	<u>0.00670000%</u>	<u>0.02914600%</u>	<u>0.03584600%</u>
Change in Proportionate Share	<u>0.00038500%</u>	<u>-0.00039600%</u>	<u>0.07168100%</u>
		Total	
Proportionate Share of the Net OPEB Liability	\$923,717	\$261,813	\$1,185,530

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, 2017, rolled forward to the measurement date of December 31, 2018. 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%
Projected Salary Increases, including inflation	3.25% to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	3.96%
Prior Measurement date	3.85%
Investment Rate of Return	6.00%
Municipal Bond Rate	3.71%
Health Care Cost Trend Rate	10.00% initial, 3.25% ultimate in 2029
Actuarial Cost Method	Individual Entry Age

City of Germantown, Ohio
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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 2018, 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 healthcare related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60% for 2018.

The allocation of investment assets within the OPERS Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table on the following page displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return.

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34%	2.42%
Domestic Equities	21%	6.21%
Real Estate Investment Trust	6%	5.98%
International Equities	22%	7.83%
Other investments	17%	5.57%
Total	100%	5.16%

Discount Rate

A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. 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 OPEB plan's fiduciary net position and future contributions were sufficient to finance the health care costs through the year 2031. As a result, the long term expected rate of return on health care investments was applied to projected costs through the year 2031, 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 OPEB liability calculated using the single discount rate of 3.96%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	\$1,181,778	\$923,717	\$718,490

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

City of Germantown, Ohio
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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 2019 is 10.00%. 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% in the most recent valuation.

	Current Health Care		
	1% Decrease	Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$887,892	\$923,717	\$964,977

Changes between Measurement Date and Report Date

In October, 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.50% to 6.00%.

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, 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.

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Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%
Single discount rate:	
Current measurement date	4.66%
Prior measurement date	3.24%
Cost of Living Adjustments	3.00% Simple; 2.20% Simple for increased based on the lesser of the increase in CPI and 3.00%

Healthy Mortality

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

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

Disabled Mortality

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

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

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

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

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Best estimates of the long-term expected real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00%	0.80%
Domestic Equity	16.00%	5.50%
Non-US Equity	16.00%	5.90%
Private Markets	8.00%	8.40%
Core Fixed Income*	23.00%	2.60%
High Yield Fixed Income	7.00%	4.80%
Private Credit	5.00%	7.50%
U.S. Inflation Linked Bonds*	17.00%	2.30%
Master Limited Partnerships	8.00%	6.40%
Real Assets	8.00%	7.00%
Private Real Estate	12.00%	6.10%
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 the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate

Total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017 was blended with the long-term rate of 8.00 percent, which resulted in a blended discount rate of 4.66 percent.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

Net OPEB liability is sensitive to changes in the discount rate. To illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 4.66 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, 3.66 percent, or one percentage point higher, 5.66 percent, than the current rate:

	1% Decrease (2.66%)	Current Discount Rate (3.66%)	1% Increase (4.66%)
City's proportionate share of the net OPEB liability	\$318,960	\$261,813	\$213,843

City of Germantown, Ohio
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Changes in Benefit Terms and Assumptions

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 will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). 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. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years.

Note 10 – 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, 2018, 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

	2018	2017
Assets	\$49,921,998	\$44,452,326
Liabilities	(14,676,199)	(13,004,011)
Net Position:		
Unrestricted	<u>\$35,245,799</u>	<u>\$31,448,315</u>

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2019

At December 31, 2018 the liabilities above include approximately \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$11.7 million of unpaid claims to be billed. The Pool's membership increased to over 538 members in 2018. 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 11 – Contingent Liability

The City is not party to any legal proceedings.

Note 12 – Interfund Transfers and Advances

Activity for the years ending December 31, 2019:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Advance In</u>	<u>Advance Out</u>
Major Funds:				
General Fund	\$0	\$2,133,750	\$440,635	\$0
Police Levy	1,148,950	0	0	0
Other Government Funds	934,800	24,000	0	440,635
Refuse Enterprise Fund	10,000	0	0	0
Other Enterprise Funds	64,000	0	0	0
	<u>\$2,157,750</u>	<u>\$2,157,750</u>	<u>\$440,635</u>	<u>\$440,635</u>

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.

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2019

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 2018 that covered negative fund cash balance.

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	Fire Capital Improvements	Other Governmental Funds	Total
Nonspendable								
Unclaimed Monies	\$11,385	\$0	\$0	\$0	\$0	\$0	\$0	\$11,385
Permanent Endowment	0	0	0	0	0	0	25,685	25,685
Total Nonspendable	11,385	0	0	0	0	0	25,685	37,070
Restricted for:								
Street Capital Improvement	0	0	0	0	0	0	122,595	122,595
Emergency Medical Services	0	0	739,697	0	0	0	0	739,697
Fire Services	0	0	0	730,972	0	0	0	730,972
Drug Enforcement	0	0	0	0	0	0	11,944	11,944
Law Enforcement Trust	0	0	0	0	0	0	7,205	7,205
Federal Law Enforcement	0	0	0	0	0	0	824	824
Senior Citizens	0	0	0	0	0	0	214,380	214,380
DUI Education and Enforcement	0	0	0	0	0	0	7,862	7,862
Parks Capital Improvement	0	0	0	0	0	0	3,159	3,159
Street Improvements	0	0	0	0	0	0	91,152	91,152
State Highway	0	0	0	0	0	0	29,518	29,518
Motor Vehicle License Tax	0	0	0	0	0	0	136,690	136,690
Permissive Tax	0	0	0	0	0	0	22,098	22,098
Police Levy	0	61,620	0	0	0	0	0	61,620
Street Lights	0	0	0	0	0	0	155,966	155,966
Fire Capital Improvement	0	0	0	0	0	1,525,881	0	1,525,881
Police Professional Training	0	0	0	0	0	0	5,180	5,180
Capital Improvements	0	0	0	0	1,848,165	0	0	1,848,165
TIF	0	0	0	0	0	0	57,079	57,079
Total Restricted	0	61,620	739,697	730,972	1,848,165	1,525,881	865,652	5,771,987
Assigned to:								
Encumbrances	342,102	0	0	0	0	0	0	342,102
Next Year's Budget	217,520	0	0	0	0	0	0	217,520
Total Assigned	559,622	0	0	0	0	0	0	559,622
Unassigned (Deficit)	257,933	0	0	0	0	0	0	257,933
Total Fund Balance	\$828,940	\$61,620	\$739,697	\$730,972	\$1,848,165	\$1,525,881	\$891,337	\$6,626,612

Note 14 – Implementation of New Accounting Principles

For fiscal year 2019, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, GASB No. 84, *Fiduciary Activities*, GASB No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and GASB No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*.

GASB Statement No. 83 sets out to address the accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The implementation of GASB Statement No. 83 did not have an effect on the financial statements.

GASB Statement No. 84 clarifies the criteria for identifying fiduciary activities, with the focus on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Activities meeting certain criteria should be reported in a fiduciary fund in the financial statements. The implementation of GASB Statement No. 84 did not have an effect on the financial statements.

GASB Statement No. 88 sets out to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. If applicable, GASB Statement No. 88 has been implemented in the notes to financial statements.

GASB Statement No. 90 sets out to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The implementation of GASB Statement No. 90 did not have an effect on the financial statements.

City of Germantown, Ohio
Notes to Basic Financial Statements
For The Year Ended December 31, 2019

Note 15 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio has incurred a significant decline in fair value, in 2020, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, the impact of the investments of the pension and other employee benefit plan in which the City participates and any recovery from emergency funding, either federal or state, cannot be estimated.

**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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 11, 2021, 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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 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 an instance 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 2019-001.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. The City's response was 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.

Plattensburg & Associates, Inc.

Plattensburg & Associates, Inc.
Dayton, Ohio
May 11, 2021

**CITY OF GERMANTOWN
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019**

Finding 2019-001 – 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 and determined that the significant cost of compliance exceeds the benefit received.

OHIO AUDITOR OF STATE KEITH FABER



CITY OF GERMANTOWN

MONTGOMERY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 6/10/2021

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

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