CITY OF GERMANTOWN

Basic Financial Statements – Modified Cash Basis
December 31, 2016

PLATTENBURG
Certified Public Accountants

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Germantown, Montgomery County, prepared by Plattenburg & Associates, Inc., for the period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted this report in lieu of the audit required by Section 117.11, Revised Code.

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.

Dave Yost
Auditor of State

October 16, 2017

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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure about 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, 2016, and the respective changes in modified cash financial position for the year then ended in accordance with the accounting basis described in Note 2.

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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 July 27, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Dayton, Ohio
July 27, 2017

City of Germantown, Ohio
Statement of Net Position - Modified Cash Basis
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	$4,252,165	$1,262,070	$5,514,235
Total Assets	4,252,165	1,262,070	5,514,235
Net Position:			
Restricted for:			
Senior Citizen	181,823	0	181,823
Street Improvements	190,255	0	190,255
Motor Vehicle License and Permissive Taxes	236,783	0	236,783
Street Lights	117,032	0	117,032
Emergency Medical Services	830,531	0	830,531
Fire Services	773,109	0	773,109
Capital Projects	888,266	0	888,266
Permanent Fund	25,636	0	25,636
Other Purposes	228,598	0	228,598
Unrestricted	780,132	1,262,070	2,042,202
Total Net Position	$4,252,165	$1,262,070	$5,514,235

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, 2016

		Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	$562,358	$61,275	$0	$0	($501,083)	$0	($501,083)
Public Safety	1,813,107	169,002	549,018	0	(1,095,087)	0	(1,095,087)
Community Environment	101,844	12,656	0	0	(89,188)	0	(89,188)
Recreation	20,950	7,000	0	0	(13,950)	0	(13,950)
Transportation	271,425	92,596	278,101	60,662	159,934	0	159,934
Capital Outlay	797,415	0	0	0	(797,415)	0	(797,415)
Debt Service:							
Principal	328,339	0	0	0	(328,339)	0	(328,339)
Interest and Other Charges	34,671	0	0	0	(34,671)	0	(34,671)
Total Governmental Activities	3,930,109	342,529	827,119	60,662	(2,699,799)	0	(2,699,799)
Business-Type Activities:							
Water	607,426	581,074	0	0	0	(26,352)	(26,352)
Sewer	773,855	814,594	0	0	0	40,739	40,739
Refuse	449,596	477,648	0	0	0	28,052	28,052
Stormwater	88,471	50,631	0	0	0	(37,840)	(37,840)
Swimming Pool	105,386	59,441	0	113,663	0	67,718	67,718
Recreation	90,619	0	60,000	0	0	(30,619)	(30,619)
Total Business-Type Activities	2,115,353	1,983,388	60,000	113,663	0	41,698	41,698
Totals	$6,045,462	$2,325,917	$887,119	$174,325	(2,699,799)	41,698	(2,658,101)

	Governmental Activities	Business-Type Activities	Total
General Receipts:			
Income Taxes	1,088,881	0	1,088,881
Property Taxes Levied for:			
General Purposes	283,778	0	283,778
Special Revenue Purposes	273,992	0	273,992
Grants and Entitlements, Not Restricted	113,206	0	113,206
Payments in Lieu of Taxes	299,173	0	299,173
Investment Earnings	40,466	0	40,466
Other Receipts	117,243	13,951	131,194
Long-Term Bonds Issued	690,327	0	690,327
Transfers In	0	17,000	17,000
Transfers (Out)	(17,000)	0	(17,000)
Total General Receipts, Long-Term Bonds Issued and Transfers	2,890,066	30,951	2,921,017
Change in Net Position	190,267	72,649	262,916
Net Position - Beginning of Year	4,061,898	1,189,421	5,251,319
Net Position - End of Year	$4,252,165	$1,262,070	$5,514,235

See accompanying notes to the basic financial statements.

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City of Germantown, Ohio
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
December 31, 2016

	General	Police Levy	Emergency Medical Services	Fire Services	Street Capital Improvement	EMS Capital Improvement
Assets:						
Equity in Pooled Cash and Investments	$780,132	$172,736	$830,531	$773,109	$109,967	$525,883
Total Assets	780,132	172,736	830,531	773,109	109,967	525,883
Fund Balances:						
Nonspendable	5,319	0	0	0	0	0
Restricted	0	172,736	830,531	773,109	109,967	525,883
Assigned	105,609	0	0	0	0	0
Unassigned	669,204	0	0	0	0	0
Total Fund Balances	$780,132	$172,736	$830,531	$773,109	$109,967	$525,883

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
$1,059,807	$4,252,165
1,059,807	4,252,165
25,636	30,955
1,034,171	3,446,397
0	105,609
0	669,204
$1,059,807	$4,252,165

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, 2016

	General	Police Levy	Emergency Medical Services	Fire Services	Street Capital Improvement	EMS Capital Improvement
Receipts:						
Property Taxes	$283,778	$273,992	$0	$0	$0	$0
Income Taxes	1,088,881	0	0	0	0	0
Charges for Services	0	0	163,612	0	0	0
Investment Earnings	40,448	0	0	0	0	0
Intergovernmental	113,205	44,018	220,000	165,000	60,662	0
Special Assessments	0	0	0	0	0	0
Fines, Licenses & Permits	73,781	0	0	0	0	0
Payments in Lieu of Taxes	0	0	0	0	0	0
Other Receipts	37,573	28,350	17,116	16,021	0	0
Total Receipts	1,637,666	346,360	400,728	181,021	60,662	0
Disbursements:						
Current:						
General Government	561,999	0	0	0	0	0
Public Safety	926,334	305,447	267,997	170,625	0	0
Community Environment	101,844	0	0	0	0	0
Recreation	20,950	0	0	0	0	0
Transportation	0	0	0	0	16,544	0
Capital Outlay	0	0	0	0	735,854	0
Debt Service:						
Principal	43,339	0	0	0	0	0
Interest and Other Charges	21,419	0	0	0	0	0
Total Disbursements	1,675,885	305,447	267,997	170,625	752,398	0
Excess of Receipts Over (Under) Disbursements	(38,219)	40,913	132,731	10,396	(691,736)	0
Other Financing Sources (Uses):						
Issuance of Long-Term Capital-Related Debt	0	0	0	0	690,327	0
Transfers In	0	71,549	0	0	31,351	0
Transfers (Out)	(119,900)	0	0	0	0	0
Total Other Financing Sources (Uses)	(119,900)	71,549	0	0	721,678	0
Net Change in Fund Balance	(158,119)	112,462	132,731	10,396	29,942	0
Fund Balance - Beginning of Year	938,251	60,274	697,800	762,713	80,025	525,883
Fund Balance - End of Year	$780,132	$172,736	$830,531	$773,109	$109,967	$525,883

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
$0	$557,770
0	1,088,881
1,965	165,577
18	40,466
398,101	1,000,986
92,596	92,596
10,575	84,356
299,172	299,172
18,185	117,245
820,612	3,447,049
359	562,358
142,704	1,813,107
0	101,844
0	20,950
254,881	271,425
61,561	797,415
285,000	328,339
13,252	34,671
757,757	3,930,109
62,855	(483,060)
0	690,327
0	102,900
0	(119,900)
0	673,327
62,855	190,267
996,952	4,061,898
$1,059,807	$4,252,165

City of Germantown, Ohio
Statement of Fund Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2016

	Business-Type Activities -Enterprise Funds				
	Water	Sewer	Refuse	Other Enterprise Funds	Total Business-Type Activities
Assets:					
Equity in Pooled Cash and Investments	$434,558	$560,653	$77,158	$189,701	$1,262,070
Total Assets	434,558	560,653	77,158	189,701	1,262,070
Net Position:					
Unrestricted	434,558	560,653	77,158	189,701	1,262,070
Total Net Position	$434,558	$560,653	$77,158	$189,701	1,262,070

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, 2016

	Business-Type Activities -Enterprise Funds				
	Water	Sewer	Refuse	Other Enterprise Funds	Total Business-Type Activities
Operating Receipts:					
Charges for Services	$581,074	$814,594	$477,648	$110,072	$1,983,388
Other Receipts	462	0	0	13,489	13,951
Total Operating Receipts	581,536	814,594	477,648	123,561	1,997,339
Operating Expenses:					
Personal Services	122,974	122,231	12,789	112,176	370,170
Contractual Services	144,200	459,253	347,436	82,602	1,033,491
Materials and Supplies	24,625	8,054	89,371	44,998	167,048
Other Expense	0	0	0	927	927
Total Operating Expenses	291,799	589,538	449,596	240,703	1,571,636
Operating Income (Loss)	289,737	225,056	28,052	(117,142)	425,703
Non-Operating Receipts (Expenses):					
Capital Outlay	0	0	0	(20,836)	(20,836)
Principal Retirement	(254,141)	(126,893)	0	(19,250)	(400,284)
Interest and Other Fiscal Charges	(61,486)	(57,424)	0	(3,687)	(122,597)
Operating Grants	0	0	0	60,000	60,000
Total Non-Operating Receipts (Expenses)	(315,627)	(184,317)	0	16,227	(483,717)
Income (Loss) Before Capital Grants and Contributions, and Transfers	(25,890)	40,739	28,052	(100,915)	(58,014)
Capital Grants and Contributions	0	0	0	113,663	113,663
Transfers In	0	0	0	17,000	17,000
Change in Net Position	(25,890)	40,739	28,052	29,748	72,649
Net Position - Beginning of Year	460,448	519,914	49,106	159,953	1,189,421
Net Position - End of Year	$434,558	$560,653	$77,158	$189,701	$1,262,070

See accompanying notes to the basic financial statements.

Note 1 – Description of the Entity

Description of the Entity

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

Reporting Entity

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

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

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

Note 2 – Summary of Significant Accounting Policies

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

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

Basis of Presentation

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

The following are the City's major governmental funds:

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

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

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

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

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

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

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

Proprietary Funds

Proprietary fund reporting focuses on changes in net position, financial position and cash flows. 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 ordinance, 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 cash 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 level for all funds. More detailed appropriation allocations may be made by the Finance Director or City Manager as long as the allocations are within Council's appropriated amount.

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 amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by City Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by City Council during the year.

Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is and the major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the modified cash basis are as follows:

1. Outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (modified cash basis).

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the modified cash basis are as follows:

	General	Police Levy	Emergency Medical Services
Modified Cash Basis	($158,119)	$112,462	$132,731
Encumbrances	(56,248)	(47,065)	(10,202)
Budget Basis	($214,367)	$65,397	$122,529

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 $40,448 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

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

Long-Term Obligations

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

Net Position

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

Fund Balance

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

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

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

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

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

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

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

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

Interfund Activity

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

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Equity in Pooled Cash and Investments

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

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

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

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

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

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

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

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

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

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

At year end, the City had $350 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Investments".

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of December 31, 2016, $2,488,862 of the City's bank balance of $3,194,848 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of December 31, 2016, the City had the following investments:

Investment Type	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Money Market Funds	$10,281	N/A	0.00
Negotiable Certificates of Deposits	2,497,349	Level 2	2.46
	$2,507,630		
Portfolio Weighted Average Maturity			2.45

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, 2016.

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

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

Concentration of Credit Risk – The City's investment policy allows investments in Federal Government Securities or Instrumentalities. The City has invested 99.6% of the City's investments in negotiable certificates of deposits and 0.4% 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 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Property	$88,336,540
Public Utility Personal Property	1,614,490
Total Valuation	$89,951,030

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

Note 5 – Local Income Tax

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

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

Note 6 – Long-Term Debt

Long-term debt outstanding at December 31, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
OPWC Debt:					
Governmental Activities:					
CD08J - East Market Street Phase 1	$17,030	$0	($6,812)	$10,218	$6,812
CD02J - North Walnut Street Improvement	7,736	0	(5,158)	2,578	2,578
CD04J - Cherry Street Improvement Phase 1	18,484	0	(7,394)	11,090	7,394
CD06J - Cherry Street Improvement Phase 2	21,427	0	(8,570)	12,857	8,570
CD09P - Cherry Street Improvement Phase 3	193,873	0	(6,924)	186,949	6,924
CD32S - Cherry Street Improvement Phase 4	0	690,327	0	690,327	12,568
CD02L - Dayton Pike Resurfacing	28,639	0	(8,182)	20,457	8,182
Business-Type Activities:					
CD14L - Dayton Pike Water Storage Tower	1,174,102	0	(73,381)	1,100,721	73,381
CD11Q - Sanitary Sewer Rehab Phase 1	88,397	0	(3,048)	85,349	3,048
CD05R - Sanitary Sewer Rehab Phase 2	0	154,975	(2,583)	152,392	5,166
CD22Q - West Market Street Phase 1	699,038	0	(25,417)	673,621	25,418
CT08F - Water Booster Station	71,278	0	(6,812)	64,466	6,881
CT08D - Hillcrest Sewer System	52,553	0	(6,342)	46,211	6,406
Total OPWC Debt	2,372,557	845,302	(160,623)	3,057,236	173,328
Other Long-Term Debt:					
Governmental Activities:					
Municipal Building Rehabilitation Bonds	505,000	0	(35,000)	470,000	35,000
Hickory Pointe Project - Public Infrastructure	285,000	0	(285,000)	0	0
St Rt / Hickory Pointe	325,000	0	(20,000)	305,000	20,000
Cherry Street Improvements	175,000	0	(10,000)	165,000	10,000
East Market Street Improvements	169,150	0	(10,850)	158,300	10,850
West Market Street Imp Phase I	435,000	0	(25,000)	410,000	30,000
Business-Type Activities:					
Dry Run Sewer Improvement Bonds	680,000	0	(45,000)	635,000	45,000
Water Meters	390,000	0	(25,000)	365,000	25,000
East Market Street Improvements	385,850	0	(24,150)	361,700	24,150
Water Chemical Feed Building / Silt Removal	220,000	0	(15,000)	205,000	15,000
Engineering Water and Sewer	190,000	0	(10,000)	180,000	10,000
Business-Type Activities:					
Mortgage Revenue Water Bond	510,000	0	(63,000)	447,000	66,000
Total Other Long-Term Debt	4,270,000	0	(568,000)	3,702,000	291,000
Total Long-Term Debt	$6,642,557	$845,302	($728,623)	$6,759,236	$464,328

Outstanding OPWC noted (Project #CD08J) consist of a loan to fund the East Market Street Hill Phase I Project. The debt will be repaid from revenues of the City's general fund.

Outstanding OPWC notes (Project #CD02J) consist of a loan to fund the North Walnut Street Reconstruction Project. The debt will be repaid from revenues of the City's general fund.

Outstanding OPWC notes (Project #CD04J, #CD06J, #CD09P, and #CD32S) consist of loans to fund the Cherry Street Improvements Phase I, II, II and IV Projects. The debt will be repaid from revenues of the City's general fund.

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

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

Outstanding OPWC notes (Project #CD11Q and #CD05R) consist of loans to fund the Sanitary Sewer Rehabilitation Phase I and II. 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 water system.

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.

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

Municipal Building Rehabilitation Bonds consist of bonds issued for the purpose of constructing a new municipal building. General Obligations are direct obligations of the City for which the City's full faith and credit are pledged and are payable from taxes levied on all taxable property in the City.

Hickory Pointe and St. / Rt. Hickory Pointe Bonds consist of general obligation bonds issued for the Hickory Pointe public infrastructure improvements. The Hickory Pointe bonds will be repaid from payment in lieu of taxes revenues from the hickory pointe TIF district fund and St. / Rt. Hickory Pointe Bonds will be paid from the street capital improvement fund and sewer fund.

Dry Run Sewer Improvement Bonds were issued as a result of the Sanitary Sewer Improvement Bonds being partially refunded in 2007. These bonds were for the improvement of the City's sewer system. Property and revenue of the City's sewer system has been pledged to repay this debt.

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

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

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 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.

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

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

	General Obligation Bonds		Mortgage Revenue Bonds		OPWC Loans	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2017	$225,000	$119,850	$66,000	$22,350	$173,328	$1,073
2018	235,000	111,532	69,000	19,050	172,066	941
2019	245,000	102,833	72,000	15,600	156,720	806
2020	265,000	93,755	76,000	12,000	152,763	670
2021	265,000	83,956	80,000	8,200	152,902	533
2022-2026	1,485,000	265,551	84,000	4,200	738,275	835
2027-2031	535,000	26,289	0	0	695,378	0
2027-2031	0	0	0	0	328,470	0
2027-2031	0	0	0	0	328,472	0
2027-2031	0	0	0	0	158,862	0
	$3,255,000	$803,766	$447,000	$81,400	$3,057,236	$4,858

Note 7 – Defined Benefit Pension Plans

Net Pension Liability

Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

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 cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members 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):

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

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

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

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

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

	State and Local	Public Safety	Law Enforcement
2016 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2016 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0	2.0
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %

* 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.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $94,074 for year 2016.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description – City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

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

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF 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 and statutory survivors.

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

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

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was $106,813 for 2016.

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

The net pension liability for OPERS was measured as of December 31, 2015, 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, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City proportion of the net pension liability was based on the City share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability	$1,079,461	$1,709,138	$2,788,599
Proportion of the Net Pension Liability	0.006232%	0.026568%	

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources:			
Net difference between projected and actual earnings on pension plan investments	$317,294	$278,182	$595,476
City contributions subsequent to the measurement date	94,074	106,813	200,887
Total Deferred Outflows of Resources	$411,368	$384,995	$796,363
Deferred Inflows of Resources:			
Differences between expected and actual experience	$20,857	$4,799	$25,656
Changes in employer proportion and differences between contributions and proportionate share of contributions	12,096	37,556	49,652
Total Deferred Inflows of Resources	$32,953	$42,355	$75,308

$200,887 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2017	$63,814	$65,092	$128,906
2018	68,888	65,092	133,980
2019	79,835	65,092	144,927
2020	71,804	50,263	122,067
2021	0	(8,161)	(8,161)
Thereafter	0	(1,551)	(1,551)
Total	$284,341	$235,827	$520,168

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below:

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	Traditional Penion Plan
Valuation Date	December 31, 2015
Experience Study	5 year period ending December 31, 2010
Actuarial Cost Method	Individual Entry Age
Actuarial Assumptions:	
Investment Rate of Return	8.00%
Wage Inflation	3.75%
Projected Salary Increases	4.25% - 10.05% (includes wage inflation at 3.75%)
Cost-of-Living Adjustments:	
Pre 1/7/2013 Retirees	3.00% Simple,
Post 1/7/2013 Retirees	3.00% Simple,
Through 2018, then	2.80% Simple.

Mortality rates are the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disabled female mortality rates were used, set forward two years. For females, 100% of the disabled female mortality rates were used.

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.

OPERS manages investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan, and the VEBA Trust. 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 money-weighted rate of return, net of investment expense, for the Defined Benefit portfolio is 0.4% for 2015.

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 2015 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 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate

The discount rate used to measure the total pension liability was 8.0% 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 City 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 8.0%, and the expected net pension liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
City's proportionate share of the net pension liability:			
OPERS	$1,719,845	$1,079,461	$539,317

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25%
Projected Salary Increases	4.25% through 11% percent
Payroll Increases	3.75%
Inflation Assumptions	3.25%
Cost of Living Adjustments	2.60% and 3.00%, simple

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

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted 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, 2015 are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Domestic Equity	16.00 %	4.47 %	7.80 %
Non-US Equity	16.00	4.47	8.00
Core Fixed Income*	20.00	1.62	5.35
Global Inflation Protected Securities*	20.00	1.33	4.73
High Yield	15.00	3.39	7.21
Real Estate	12.00	3.93	7.43
Private Markets	8.00	6.98	10.73
Timber	5.00	4.92	7.35
Master Limited Partnerships	8.00	7.03	10.75
Total	120.00 %		

Note: Assumptions are geometric
* levered 2x
** Numbers include inflation

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

Discount Rate

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

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

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 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 (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability :			
OP&F	$2,254,124	$1,709,138	$1,247,481

Note 8 – Post Employment Benefits

Ohio Public Employees Retirement System

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 maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have 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 45. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, 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.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The 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 third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Information from City's Records

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was $15,673, $17,284, and $16,288, respectively. The full amount has been contributed for all three years.

Ohio Police and Fire Pension Fund

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 OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

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

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

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

Funding Policy

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF 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.

Information from City's Records

The City's contributions to OP&F for the year ending December 31, 2016 was $2,850; and was $3,007 for year ending December 31, 2015; and was $3,057 for the year ending December 31, 2014, and were allocated to the healthcare plan. The actual contributions for 2016, 2015 and 2014 were 100%.

Note 9 – Risk Management

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31:

PEP Financial Data
Casualty & Property Coverage

	2016	2015
Assets	$42,182,281	$38,307,677
Liabilities	(13,396,700)	(12,759,127)
Net Position:		
Unrestricted	$28,785,581	$25,548,550

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately $11.5 million of unpaid claims to be billed.

The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment.

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

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

Note 10 – Contingent Liability

The City is not party to any legal proceedings.

Note 11 – Interfund Transfers

Transfer activity for the years ending December 31, 2016:

Fund	Transfer In	Transfer Out
Major Funds:		
General Fund	$0	($119,900)
Police Levy	71,549	0
Street Capital Improvement	31,351	0
Other Enterprise Funds	17,000	0
	$119,900	($119,900)

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.

Note 12 – 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	Street Capital Improvements	EMS Capital Improvements	Other Governmental Funds	Total
Nonspendable								
Unclaimed Monies	$5,319	$0	$0	$0	$0	$0	$0	$5,319
Permanent Endowment	0	0	0	0	0	0	25,636	25,636
Total Nonspendable	5,319	0	0	0	0	0	25,636	30,955
Restricted for:								
Emergency Medical Fire Serv	0	0	830,531	0	0	0	0	830,531
Fire Services	0	0	0	773,109	0	0	0	773,109
Drug Enforcement	0	0	0	0	0	0	1,888	1,888
Federal Law Enforcement	0	0	0	0	0	0	8,691	8,691
Senior Citizens	0	0	0	0	0	0	181,823	181,823
DUI Education and Enforcem	0	0	0	0	0	0	6,696	6,696
Street Improvements	0	0	0	0	0	0	190,255	190,255
State Highway	0	0	0	0	0	0	33,407	33,407
Motor Vehicle License Tax	0	0	0	0	0	0	158,173	158,173
Permissive Tax	0	0	0	0	0	0	78,610	78,610
Police Levy	0	172,736	0	0	0	0	0	172,736
Street Lights	0	0	0	0	0	0	117,032	117,032
Police Professional Training	0	0	0	0	0	0	5,180	5,180
Capital Improvements	0	0	0	0	109,967	525,883	244,159	880,009
TIF	0	0	0	0	0	0	8,257	8,257
Total Restricted	0	172,736	830,531	773,109	109,967	525,883	1,034,171	3,446,397
Assigned to:								
Encumbrances	56,248	0	0	0	0	0	0	56,248
Next Year's Budget	49,361	0	0	0	0	0	0	49,361
Total Assigned	105,609	0	0	0	0	0	0	105,609
Unassigned (Deficit)	669,204	0	0	0	0	0	0	669,204
Total Fund Balance	$780,132	$172,736	$830,531	$773,109	$109,967	$525,883	$1,059,807	$4,252,165

Note 13 – Implementation of New Accounting Principles

For the fiscal year ended December 31, 2016, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, GASB Statement No. 77, Tax Abatement Disclosures and GASB Statement No. 79, Certain External Investment Pools and Pool Participants.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the City's note disclosures.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the City.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the City.

GASB Statement No. 77 establishes improved financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The implementation of GASB Statement No 77 did not have an effect on the financial statements of the City.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the City.

CITY OF GERMANTOWN

Yellow Book Report
December 31, 2016

PLATTENBURG
Certified Public Accountants

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PLATTENBURG
Certified Public Accountants

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 27, 2017, wherein we noted the City presented financial statements on the modified cash basis of accounting rather than in accordance with accounting principles generally accepted in the United States of America, as disclosed in Note 2.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be material weaknesses. See 2016-001 and 2016-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2016-003.

City's Responses to Findings

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

Purpose of this Report

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Dayton, Ohio
July 27, 2017

CITY OF GERMANTOWN
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016

Finding 2016-001 – Material Weakness

During the year, the City had a total of $51,954.38 in utility adjustments. City Council did not approve any utility adjustments during most of the audit period. Adjustments were approved verbally by the Municipal Manager.

Failure to obtain and document supervisory approval of adjustments increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

The City should develop specific, written procedures for requesting, posting, and approving customer utility account adjustments. All adjustments should be printed and signed by Council showing their approval of the adjustments at the monthly Council meetings. The City should maintain documentation supporting the reason for the adjustment and reflect supervisory approval prior to posting the adjustment to the utility system.

Periodically, an individual independent of the adjustment process should reconcile authorized adjustments to those posted to the utility system to verify only authorized adjustments were posted to the utility system.

City's Response:

The City will implement a process for approving utility adjustments.

Finding 2016–002 – Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The City did not accurately apply Governmental Accounting Standards Board (GASB) Statement Number 54 when classifying fund balances. The misclassifications are as follows:

EMS Capital Improvement Fund:
Ending Assigned Fund Balance was overstated by $525,883
Ending Restricted Balance was understated by $525,883

Other Governmental Funds:
Ending Assigned Fund Balance was overstated by $200,000
Ending Restricted Balance was understated by $200,000

Adjustments to correct the errors above are reflected in the financial statements and notes.

When fund balances are not accurately classified, City officials and management do not have accurate information as to the amount of fund balances that are restricted or assigned for specific purposes. The City should develop and implement procedures to ensure accurate accounting for year-end fund balances. The City should also review Auditor of State Bulletin 2011-004 for guidelines in classifying fund balances in accordance with GASB Statement number 54.

City's Response:

The City will follow GASB #54 and AOS Bulletin 2011-004.

Finding 2016–003 – Noncompliance

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

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

City's Response:

The City evaluated the cost-benefit relationship of preparing GAAP statements versus modified cash financial statements for the year ended December 31, 2016, and determined that the significant cost of compliance exceeds the benefit received.

CITY OF GERMANTOWN

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 9, 2017

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