



Dave Yost • Auditor of State

**CITY OF COSHOCTON
COSHOCTON COUNTY**

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COSHOCTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITORS' REPORT

City of Coshocton
Coshocton County
760 Chestnut Street
Coshocton, Ohio 43812

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coshocton, Coshocton County, Ohio (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coshocton, Coshocton County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Fire, and Street Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, and Schedules of Net Pension Liabilities and Pension Contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016, 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.



Dave Yost
Auditor of State
Columbus, Ohio

October 25, 2016

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

The management's discussion and analysis of the City of Coshocton's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- The total net position of the City increased \$5,119,906 from the 2014 net position. Net position of governmental activities increased \$2,406,974 or 46.11% over 2014 and net position of business-type activities increased \$2,712,932 or 36.60% over the 2014 balance. The 2014 net position has been restated as described in Note 3.
- General revenues accounted for \$7,319,103 or 65.72% of total governmental activities revenue. Program specific revenues accounted for \$3,817,404 or 34.28% of total governmental activities revenue.
- The City had \$8,729,533 in expenses related to governmental activities; \$3,817,404 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$4,912,129 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$7,319,103. General revenues were adequate to cover expenses for 2015.
- The general fund had revenues and other financing sources of \$3,972,821 in 2015 and expenditures of \$3,653,051 in 2015. The general fund's fund balance increased \$319,770 from a balance of \$119,812 to a balance of \$439,582.
- The fire fund had revenues of \$1,211,352 in 2015 and total expenditures of \$1,195,062 in 2015. The net increase in fund balance for the fire fund was \$16,290.
- The street fund had revenues and other financing sources of \$2,689,174 in 2015 with total expenditures of \$2,755,580 in 2015. The net decrease in fund balance for the street fund was \$66,406.
- Net position for the business-type activities, which are made up of the water, sewer, and solid waste enterprise funds, increased in 2015 by \$2,712,932 over the 2014 balance.
- The water fund, a major enterprise fund, had operating revenues of \$3,656,673, operating and nonoperating expenses of \$3,898,588 and capital contributions of \$515,487 in 2015. The net position of the water fund increased \$273,572 or 5.01% from the 2014 net position balance.
- The sewer fund, a major enterprise fund, had operating revenues of \$1,886,790 and operating and nonoperating expenses of \$1,572,141 and capital contributions of \$2,115,134 in 2015. The net position of the sewer fund increased \$2,429,783 or 179.00% from the 2014 net position balance.
- The solid waste fund, a nonmajor enterprise fund, had operating revenues of \$688,191 in 2015 and operating expenses of \$781,946 in 2015. The net position of the solid waste fund decreased \$93,755 or 14.95% from the 2014 net position balance.

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

- In the general fund, the actual revenues came in \$7,703 higher than they were in the final budget and actual expenditures were \$239,257 less than the amount in the final budget. Budgeted revenues increased \$273,850 from the original to the final budget due primarily to an increase in projected income taxes. Budgeted expenditures increased \$413,943 from the original to the final budget due primarily to an increase in the estimated cost of general government and community environment.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and changes in net position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net position and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water, sewer, and solid waste operations are reported here.

The City's statement of net position and statement of activities can be found on pages 21-23 of this report.

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 12.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, the fire fund and the street fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 24-30 of this report.

Proprietary Funds

The City maintains two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and solid waste management functions. The City's water and sewer enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for self-insurance. The basic proprietary fund financial statements can be found on pages 31-33 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. A private-purpose trust and agency funds are the City's fiduciary fund types. The basic fiduciary fund financial statements can be found on pages 34-35 of this report.

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 37-77 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 80-86 of this report.

Government-Wide Financial Analysis

The statement of net position serves as a useful indicator of a government's financial position. The table below provides a summary of the City's net position for 2015 and 2014.

	Governmental Activities		Business-Type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
<u>Assets</u>						
Current assets	\$ 6,367,084	\$ 5,280,824	\$ 5,320,190	\$ 5,211,587	\$ 11,687,274	\$ 10,492,411
Capital assets, net	7,677,090	6,406,564	20,312,291	17,483,843	27,989,381	23,890,407
Total assets	14,044,174	11,687,388	25,632,481	22,695,430	39,676,655	34,382,818
<u>Deferred outflows of resources</u>						
Pension	640,638	398,974	186,799	123,267	827,437	522,241
<u>Liabilities</u>						
Current liabilities	467,274	590,258	252,737	167,606	720,011	757,864
Long-term liabilities:		-				
Due within one year	171,357	144,537	2,408,515	915,822	2,579,872	1,060,359
Net pension liability	4,560,414	4,357,745	990,511	968,140	5,550,925	5,325,885
Other amounts	940,508	926,051	12,024,162	13,354,107	12,964,670	14,280,158
Total liabilities	6,139,553	6,018,591	15,675,925	15,405,675	21,815,478	21,424,266
<u>Deferred inflows of resources</u>						
Property taxes	843,422	847,497	-	-	843,422	847,497
Pension	74,589	-	17,401	-	91,990	-
Total deferred inflows of resources	918,011	847,497	17,401	-	935,412	847,497
<u>Net Position</u>						
Net investment in capital assets	7,263,991	6,047,560	6,182,921	3,510,689	13,446,912	9,558,249
Restricted	2,225,203	2,980,872	-	-	2,225,203	2,980,872
Unrestricted	(1,861,946)	(3,808,158)	3,943,033	3,902,333	2,081,087	94,175
Total net position	\$ 7,627,248	\$ 5,220,274	\$ 10,125,954	\$ 7,413,022	\$ 17,753,202	\$ 12,633,296

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

During 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

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

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

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

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

CITY OF COSHOCTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, for governmental activities from \$9,179,045 to \$5,220,274 and business-type activities from \$8,257,895 to \$7,413,022.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$17,753,202. At year-end, net position was \$7,627,248 and \$10,125,954, for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 70.54% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Net investments in capital assets at December 31, 2015, were \$7,263,991 and \$6,182,921 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$2,225,203, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position is a deficit of \$1,861,946.

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CITY OF COSHOCTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The table below shows the changes in net position for 2015 and 2014.

	Change in Net Position					
	Governmental	Business-type	Governmental	Business-type	2015	2014
	Activities <u>2015</u>	Activities <u>2015</u>	Activities <u>2014</u>	Activities <u>2014</u>	<u>Total</u>	<u>Total</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,295,554	\$ 6,127,304	\$ 1,359,862	\$ 6,081,421	\$ 7,422,858	\$ 7,441,283
Operating grants and contributions	913,280	-	772,437	-	913,280	772,437
Capital grants and contributions	<u>1,608,570</u>	<u>2,630,621</u>	<u>104,305</u>	<u>100,000</u>	<u>4,239,191</u>	<u>204,305</u>
Total program revenues	<u>3,817,404</u>	<u>8,757,925</u>	<u>2,236,604</u>	<u>6,181,421</u>	<u>12,575,329</u>	<u>8,418,025</u>
General revenues:						
Property taxes	860,524	-	430,395	-	860,524	430,395
Income taxes	5,480,485	-	4,474,240	-	5,480,485	4,474,240
Lodging tax	91,536	-	82,766	-	91,536	82,766
JEDD revenue	87,404	-	236,317	-	87,404	236,317
Unrestricted grants and entitlements	539,558	-	520,826	-	539,558	520,826
Investment earnings	2,936	-	11,825	-	2,936	11,825
Miscellaneous	<u>256,660</u>	<u>104,350</u>	<u>94,594</u>	<u>44,019</u>	<u>361,010</u>	<u>138,613</u>
Total general revenues	<u>7,319,103</u>	<u>104,350</u>	<u>5,850,963</u>	<u>44,019</u>	<u>7,423,453</u>	<u>5,894,982</u>
Total revenues	<u>11,136,507</u>	<u>8,862,275</u>	<u>8,087,567</u>	<u>6,225,440</u>	<u>19,998,782</u>	<u>14,313,007</u>
Expenses:						
General government	1,644,972	-	1,998,549	-	1,644,972	1,998,549
Security of persons and property	3,356,674	-	3,282,061	-	3,356,674	3,282,061
Public health and welfare	1,206,829	-	1,248,468	-	1,206,829	1,248,468
Transportation	2,060,052	-	1,663,688	-	2,060,052	1,663,688
Community environment	235,720	-	16,402	-	235,720	16,402
Leisure time activity	207,048	-	206,939	-	207,048	206,939
Urban redevelopment and housing	10,449	-	252,220	-	10,449	252,220
Other	1,280	-	-	-	1,280	-
Interest and fiscal charges	6,509	-	674	-	6,509	674
Water	-	3,823,437	-	3,421,972	3,823,437	3,421,972
Sewer	-	1,543,960	-	1,650,872	1,543,960	1,650,872
Solid waste	<u>-</u>	<u>781,946</u>	<u>-</u>	<u>643,665</u>	<u>781,946</u>	<u>643,665</u>
Total expenses	<u>8,729,533</u>	<u>6,149,343</u>	<u>8,669,001</u>	<u>5,716,509</u>	<u>14,878,876</u>	<u>14,385,510</u>
Change in net position	2,406,974	2,712,932	(581,434)	508,931	5,119,906	(72,503)
Net position at beginning of year (restated)	<u>5,220,274</u>	<u>7,413,022</u>	N/A	N/A	<u>12,633,296</u>	N/A
Net position at end of year	<u>\$ 7,627,248</u>	<u>\$ 10,125,954</u>	<u>\$ 5,220,274</u>	<u>\$ 7,413,022</u>	<u>\$ 17,753,202</u>	<u>\$ 12,633,296</u>

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$522,241 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$565,657. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities
Total 2015 program expenses under GASB 68	\$ 8,729,533	\$ 6,149,343
Pension expense under GASB 68	(457,142)	(108,515)
2015 contractually required contributions	421,548	132,274
Adjusted 2015 program expenses	8,693,939	6,173,102
Total 2014 program expenses under GASB 27	8,669,001	5,716,509
Increase in program expenses not related to pension	\$ 24,938	\$ 456,593

Governmental Activities

Governmental activities net position increased \$2,406,974 in 2015. This increase is primarily due to an increase in capital grants and contributions.

Security of persons and property, which primarily supports the sheriff's contracts accounted for \$3,356,674 of the total expenses of the City. General government expenses totaled \$1,644,972. General government expenses were partially funded by \$333,308 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$913,280 in operating grants and contributions and \$1,608,570 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of these total grants and contributions, \$2,421,760 subsidized transportation programs.

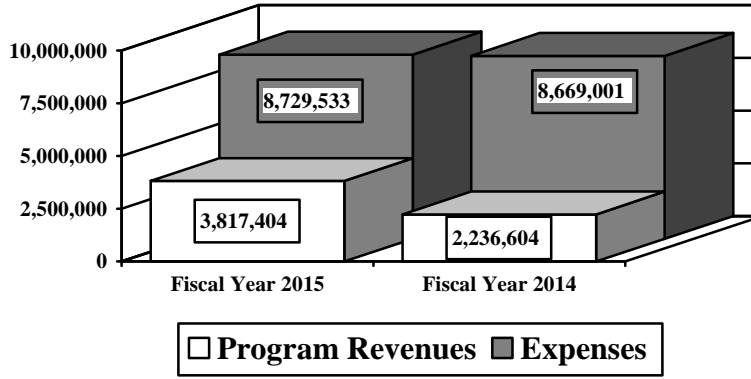
General revenues totaled \$7,319,103 and amounted to 65.72% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$6,341,009. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$539,558.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon general revenues (primarily property and income taxes as well as unrestricted grants and entitlements) to support its governmental activities as program revenues are not sufficient to cover total governmental expenses for 2015.

CITY OF COSHOCTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

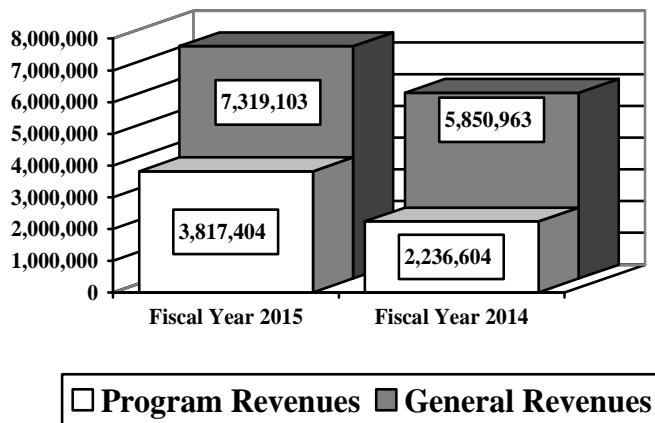
Governmental Activities – Program Revenues vs. Total Expenses



	Governmental Activities			
	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2015</u>	<u>Total Cost of Services 2014</u>	<u>Net Cost of Services 2014</u>
Program Expenses:				
General government	\$ 1,644,972	\$ 1,252,697	\$ 1,998,549	\$ 1,590,028
Security of persons and property	3,356,674	3,350,014	3,282,061	3,282,061
Public health and welfare	1,206,829	252,167	1,248,468	271,580
Transportation	2,060,052	(362,021)	1,663,688	979,619
Community environment	235,720	234,945	16,402	15,627
Leisure time activity	207,048	190,139	206,939	186,413
Urban redevelopment and housing	10,449	(13,601)	252,220	106,395
Other	1,280	1,280	-	-
Interest and fiscal charges	6,509	6,509	674	674
Total	\$ 8,729,533	\$ 4,912,129	\$ 8,669,001	\$ 6,432,397

The dependence upon general revenues for governmental activities is apparent, with 56.27% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2015 and 2014.

Governmental Activities – General and Program Revenues

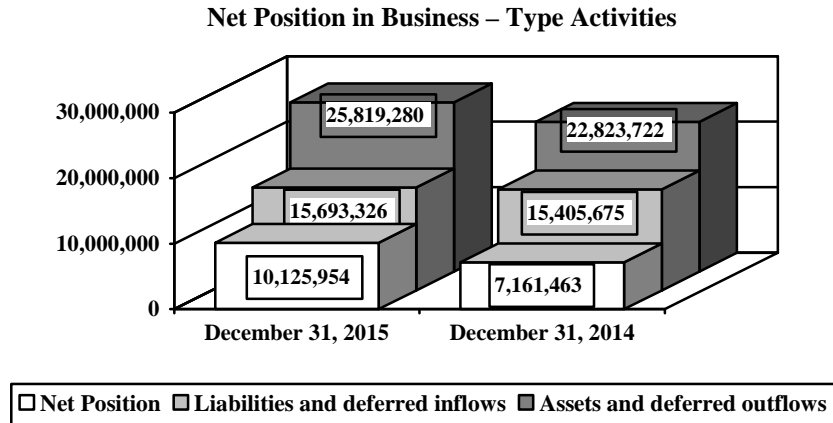


CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Business-type Activities

Business-type activities include the water, sewer, and solid waste enterprise funds. These programs had program revenues of \$8,757,925 and expenses of \$6,149,343 for 2015. The graph below shows the business-type activities assets, deferred outflows, liabilities, deferred inflows and net position at year-end. Net position as of December 31, 2014 has been restated in accordance with Note 3.



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance serves as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 24) reported a combined fund balance of \$3,615,632 which is \$703,694 above last year's total of \$2,911,938.

The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2015 and 2014 for all major and nonmajor governmental funds.

	Fund Balances 12/31/15	Fund Balances 12/31/14	Change
Major funds:			
General	\$ 439,582	\$ 119,812	\$ 319,770
Fire	310,510	294,220	16,290
Street	307,630	374,036	(66,406)
Other nonmajor governmental funds	<u>2,557,910</u>	<u>2,123,870</u>	<u>434,040</u>
Total	<u>\$ 3,615,632</u>	<u>\$ 2,911,938</u>	<u>\$ 703,694</u>

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

General Fund

The City's general fund balance increased \$319,770. The table that follows assists in illustrating the revenues of the general fund.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 2,853,571	\$ 2,666,124	7.03 %
Charges for services	282,965	300,732	(5.91) %
Licenses and permits	134,118	136,482	(1.73) %
Fines and forfeitures	-	409	(100.00) %
Investment income	2,936	5,069	(42.08) %
Intergovernmental	435,024	412,174	5.54 %
JEDD revenue	51,431	54,041	(4.83) %
Other	23,926	54,577	(56.16) %
Total	<u>\$ 3,783,971</u>	<u>\$ 3,629,608</u>	4.25 %

Tax revenue represents 75.41% of all general fund revenue. The decrease in investment income is due to the decrease in the amount of City deposits and the amount of interest on the City's various accounts.

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,507,256	\$ 1,443,468	4.42 %
Security of persons and property	1,438,385	1,862,585	(22.77) %
Public health and welfare	345,861	330,396	4.68 %
Community environment	235,720	13,367	1,663.45 %
Leisure time activity	121,567	117,673	3.31 %
Other	1,280	-	100.00 %
Capital outlay	-	8,919	(100.00) %
Debt service	2,982	7,778	(61.66) %
Total	<u>\$ 3,653,051</u>	<u>\$ 3,784,186</u>	(3.47) %

The City decreased total expenditures during 2015 by \$131,135. The decrease in security of persons and property expenditures related to costs associated with the sheriff contract service. Community environment expenditures increased due to expenditures associated with the City losing a legal suit with a former employee.

Fire Fund

The fire fund had revenues of \$1,211,352 in 2015. The expenditures of the fire fund, totaled \$1,195,062 in 2015. The net increase in fund balance for the fire fund was \$16,290.

Street Fund

The street fund had revenues and other financing sources of \$2,689,174 in 2015. The expenditures of the street fund totaled \$2,755,580 in 2015. The net decrease in fund balance for the street fund was \$66,406.

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund, the fire fund and the street fund. In the general fund, one of the most significant changes was between the original and final budgeted amount in the area of revenues and other financing sources, which increased \$273,850 from \$3,654,536 to \$3,928,386. Actual revenues and other financing sources of \$3,936,089 were more than final budgeted revenues by \$7,703. The other significant change was between the final budgeted expenditures and original budgeted expenditures. Original budgeted expenditures came in \$413,943 lower than the final budgeted amounts. Actual expenditures of \$3,645,651 were less than final budgeted expenditures by \$239,257.

Proprietary Funds

The City's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities. The only interfund activity reported in the government wide statements are those between business-type activities and governmental activities (reported as internal balances and transfers) whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements.

The City's enterprise funds (as presented on the statement of net position on page 31) reported a combined net position of \$10,051,579. The schedule below indicates the net position and the total change in net position as of December 31, 2015 for all enterprise funds. Net position at December 31, 2014 has been restated in accordance with Note 3.

	Net Position <u>12/31/15</u>	Restated Net Position <u>12/31/14</u>	<u>Change</u>
Major funds:			
Water	\$ 5,731,027	\$ 5,457,455	\$ 273,572
Sewer	3,787,196	1,357,413	2,429,783
Nonmajor fund:			
Solid waste	<u>533,356</u>	<u>627,111</u>	<u>(93,755)</u>
Total	<u>\$ 10,051,579</u>	<u>\$ 7,441,979</u>	<u>\$ 2,609,600</u>

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Water Fund

The City's Water fund net position increased \$273,572 due mainly to a capital contribution of \$515,487 received for the transfer of operations from Coshocton County. For more information for the transfer of operations see Note 21. The following tables illustrate the revenues and expenses of the water fund.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Operating Revenues</u>			
Charges for services	\$ 3,556,797	\$ 3,665,596	(2.97) %
Special assessment revenue	-	282	(100.00) %
Other	<u>99,876</u>	<u>36,529</u>	173.42 %
Total	<u>\$ 3,656,673</u>	<u>\$ 3,702,407</u>	(1.24) %
<u>Operating Expenses</u>			
Personal services	\$ 1,082,593	\$ 1,081,115	0.14 %
Contractual services	288,049	282,001	2.14 %
Materials and supplies	1,536,445	1,219,945	25.94 %
Depreciation	744,799	664,791	12.04 %
Other	<u>3,010</u>	<u>2,929</u>	2.77 %
Total	<u>\$ 3,654,896</u>	<u>\$ 3,250,781</u>	12.43 %
	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Nonoperating Expenses</u>			
Interest expense and fiscal charges	\$ 239,292	\$ (182,019)	(231.47) %
Loss on sale of capital assets	<u>4,400</u>	<u>-</u>	100.00 %
Total	<u>\$ 243,692</u>	<u>\$ (182,019)</u>	(233.88) %
<u>Capital Contributions</u>			
Capital contributions	<u>\$ 515,487</u>	<u>\$ 100,000</u>	415.49 %
Total	<u>\$ 515,487</u>	<u>\$ 100,000</u>	415.49 %

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Sewer Fund

The City's sewer fund net position increased \$2,429,783 due mainly to capital contributions of \$2,115,134 received from the transfer of operations from Coshocton County and for a reduction in an OWDA loan. For more information on the transfer of operations see Note 21. The following tables illustrate the revenues and expenses of the sewer fund.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Operating Revenues</u>			
Charges for services	\$ 1,882,316	\$ 1,731,053	8.74 %
Other	<u>4,474</u>	<u>7,490</u>	(40.27) %
Total	<u>\$ 1,886,790</u>	<u>\$ 1,738,543</u>	8.53 %
<u>Operating Expenses</u>			
Personal services	\$ 544,065	\$ 561,552	(3.11) %
Contractual services	153,432	141,351	8.55 %
Materials and supplies	286,475	368,556	(22.27) %
Depreciation	<u>405,214</u>	<u>358,687</u>	12.97 %
Total	<u>\$ 1,389,186</u>	<u>\$ 1,430,146</u>	(2.86) %
<u>Nonoperating Expenses</u>			
Interest expense and fiscal charges	<u>\$ 182,955</u>	<u>\$ (224,787)</u>	181.39 %
Total	<u>\$ 182,955</u>	<u>\$ (224,787)</u>	181.39 %
<u>Capital Contributions</u>			
Capital contributions	<u>\$ 2,115,134</u>	<u>\$ -</u>	100.00 %
Total	<u>\$ 2,115,134</u>	<u>\$ -</u>	100.00 %

Solid Waste Fund

The City's Solid Waste fund net position decreased \$93,755 due mainly to an increase in contractual services and materials and supplies expenses.

The following tables illustrate the revenues and expenses of the solid waste fund.

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Operating Revenues</u>			
Charges for services	<u>\$ 688,191</u>	<u>\$ 684,490</u>	0.54 %
Total	<u>\$ 688,191</u>	<u>\$ 684,490</u>	0.54 %

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Operating Expenses

Contractual services	\$ 661,738	\$ 598,707	10.53 %
Materials and supplies	<u>120,208</u>	<u>44,958</u>	167.38 %
Total	<u>\$ 781,946</u>	<u>\$ 643,665</u>	21.48 %

Capital Assets and Debt Administration

Capital Assets

At the end of 2015, the City had \$27,989,381 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, land improvements, furniture and equipment, vehicles and infrastructure. Of this total, \$7,677,090 was reported in governmental activities and \$20,312,291 was reported in business-type activities. See Note 10 for further description of capital assets. The following table shows 2015 balances compared to 2014:

**Capital Assets at December 31
(Net of Depreciation)**

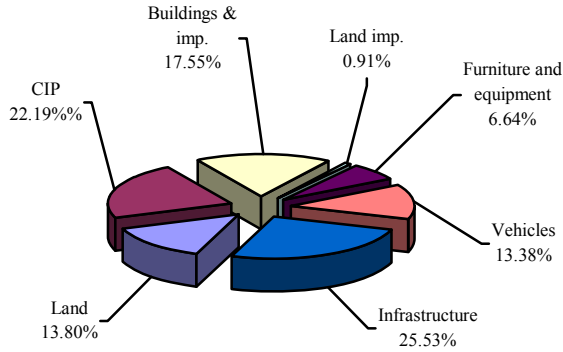
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 1,059,518	\$ 1,059,518	\$ 591,950	\$ 591,950	\$ 1,651,468	\$ 1,651,468
Land improvements	70,084	76,094	6,527	8,160	76,611	84,254
Buildings and improvements	1,347,676	1,430,345	5,371,746	5,615,552	6,719,422	7,045,897
Furniture and equipment	510,132	343,742	4,641,284	4,913,642	5,151,416	5,257,384
Vehicles	1,027,510	1,271,223	500,047	236,526	1,527,557	1,507,749
Infrastructure	1,960,218	2,225,642	-	-	1,960,218	2,225,642
Water and sewer lines	-	-	9,200,737	6,118,013	9,200,737	6,118,013
Construction in progress	<u>1,701,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,701,952</u>	<u>-</u>
Totals	<u>\$ 7,677,090</u>	<u>\$ 6,406,564</u>	<u>\$ 20,312,291</u>	<u>\$ 17,483,843</u>	<u>\$ 27,989,381</u>	<u>\$ 23,890,407</u>

CITY OF COSHOCTON, OHIO

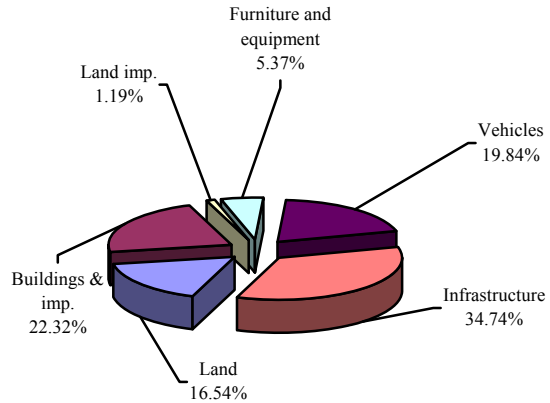
**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The following graphs show the breakdown of governmental capital assets by category for 2015 and 2014.

Capital Assets - Governmental Activities 2015

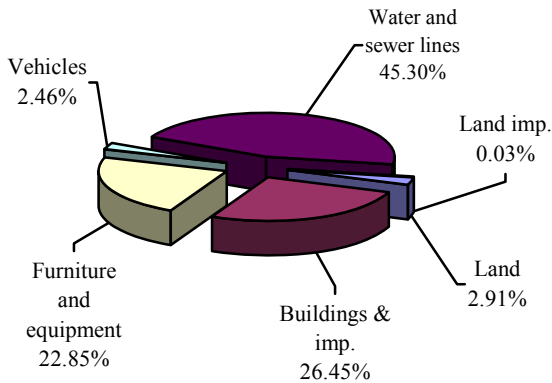


Capital Assets - Governmental Activities 2014

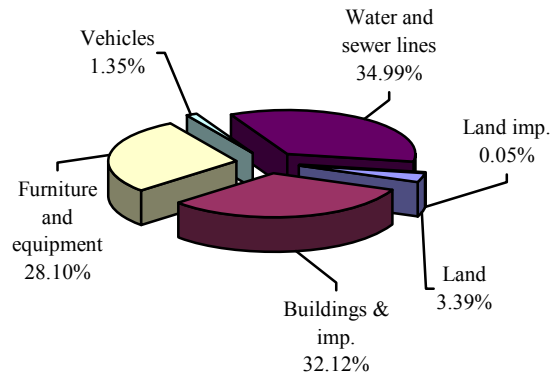


The City’s largest governmental capital asset category is infrastructure. The net book value of this category (cost less accumulated depreciation) represents approximately 25.53% of the City’s total governmental capital assets. The following graphs show the breakdown of business-type capital assets by category for 2015 and 2014.

Capital Assets - Business-Type Activities 2015



Capital Assets - Business-Type Activities 2014



The City’s largest business-type capital asset category is water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City’s water and sewer lines (cost less accumulated depreciation) represents approximately 45.30% of the City’s total business-type capital assets.

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Debt Administration

The City had the following debt outstanding at December 31, 2015 and 2014:

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
OPWC loans	\$ 197,159	\$ 146,591
Loan payable	208,060	202,000
Capital lease obligation	<u>7,880</u>	<u>10,413</u>
Total long-term obligations	<u>\$ 413,099</u>	<u>\$ 359,004</u>
	Business-type Activities	
	<u>2015</u>	<u>2014</u>
OWDA loans	\$ 12,002,225	\$ 13,770,654
OPWC loans	432,145	202,500
Refunding bonds	1,615,000	-
Sewer notes	<u>80,000</u>	<u>-</u>
Total long-term obligations	<u>\$ 14,129,370</u>	<u>\$ 13,973,154</u>

Further detail on the City's long-term obligations can be found in Note 13 to the financial statements.

Economic Conditions and Outlook

The City's administration considers the impact of various economic factors when establishing the 2016 budget. The continued challenges resulting from regional loss of employment, stagnant economic development, and the general national recession, have yielded significant influence on the objectives established in the 2016 budget. The primary objectives include continued improvement to constituent service delivery as well as long-term fiscal stability.

Despite the uncertainty surrounding the economy, the City continues to carefully monitor two primary sources of revenue – local income taxes and shared intergovernmental (State) revenue. In order to stabilize the impact of the fluctuations in these revenue sources, City Council continues to pursue economic development and job creation; maintain the community's reputation for high public safety standards; and adoption of a budget designed to promote long-term fiscal stability. In order to meet the objectives of the 2016 budget, the City emphasized various efforts to continue to contain costs while pursuing new sources of revenue over the past 10 years. Beginning in 2005, a ½% income tax increase was passed specifically for the operational expenses and capital improvements of the fire department. A 2.4 mil levy for Streets was placed on the May 2014 primary ballot and passed and is expected to generate \$425,000 in revenue. A ½% increase in the municipal income tax was placed and passed on the May 2015 primary ballot and is expected to generate revenue of \$1,400,000.

A Job Creation Grant Agreement was signed with Kraft Foods where it is anticipated that 300 new jobs will be created by December 31, 2017 and is expected to result in approximately \$8,736,000 of additional annual payroll.

The closure of WestRock, a major employer in the City of Coshocton will have a deep impact as WestRock accounted for \$1,200,000 annually in water sales. Steps have been taken to reduce the Budget of the Water Fund, along with a 34% increase in water rates.

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

The average unemployment rate for Coshocton County in 2015 was 6.3%, compared to State of Ohio's average rate of 4.8%. With the continuation of conservative budgeting practices, the City's overall financial position is anticipated to remain stable in the future years, except as noted above.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Sherry Kirkpatrick, City Auditor, City of Coshocton, City Hall, 760 Chestnut Street, Coshocton, OH 43812.

CITY OF COSHOCTON, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 3,293,619	\$ 4,502,158	\$ 7,795,777
Receivables:			
Income taxes.	1,557,204	-	1,557,204
Property and other local taxes.	914,141	-	914,141
Accounts.	56,109	697,287	753,396
Accrued interest	404	-	404
Special assessments	1,257	-	1,257
Internal balances	(74,375)	74,375	-
Due from other governments	522,436	-	522,436
Materials and supplies inventory.	72,074	46,370	118,444
Due from JEDDS	24,215	-	24,215
Capital assets:			
Land and constuction in progress	2,761,470	591,950	3,353,420
Depreciable capital assets, net.	4,915,620	19,720,341	24,635,961
Total capital assets, net.	<u>7,677,090</u>	<u>20,312,291</u>	<u>27,989,381</u>
Total assets	<u>14,044,174</u>	<u>25,632,481</u>	<u>39,676,655</u>
Deferred outflows of resources:			
Pension - OPERS	355,782	186,799	542,581
Pension - OP&F	284,856	-	284,856
Total deferred outflows of resources	<u>640,638</u>	<u>186,799</u>	<u>827,437</u>
Liabilities:			
Accounts payable.	93,980	183,226	277,206
Contracts payable.	50,059	-	50,059
Accrued wages and benefits payable	61,045	30,016	91,061
Due to other governments	141,302	39,495	180,797
Claims payable	120,888	-	120,888
Long-term liabilities:			
Due within one year	171,357	2,408,515	2,579,872
Due in more than one year			
Net pension liability	4,560,414	990,511	5,550,925
Other amounts due in more than one year	940,508	12,024,162	12,964,670
Total liabilities	<u>6,139,553</u>	<u>15,675,925</u>	<u>21,815,478</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	843,422	-	843,422
Pension - OPERS	33,143	17,401	50,544
Pension - OP&F	41,446	-	41,446
Total deferred inflows of resources	<u>918,011</u>	<u>17,401</u>	<u>935,412</u>
Net position:			
Net investment in capital assets.	7,263,991	6,182,921	13,446,912
Restricted for:			
Capital projects	853,026	-	853,026
Perpetual care:			
Expendable.	178,476	-	178,476
Nonexpendable.	250,000	-	250,000
Transportation projects	432,816	-	432,816
Public health and welfare programs.	87,487	-	87,487
Other purposes.	423,398	-	423,398
Unrestricted (deficit)	<u>(1,861,946)</u>	<u>3,943,033</u>	<u>2,081,087</u>
Total net position	<u>\$ 7,627,248</u>	<u>\$ 10,125,954</u>	<u>\$ 17,753,202</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Current:				
General government	\$ 1,644,972	\$ 333,308	\$ 58,967	\$ -
Security of persons and property	3,356,674	-	6,660	-
Public health and welfare	1,206,829	944,249	10,413	-
Transportation	2,060,052	313	813,190	1,608,570
Community environment	235,720	775	-	-
Leisure time activity	207,048	16,909	-	-
Urban redevelopment and housing	10,449	-	24,050	-
Other	1,280	-	-	-
Interest and fiscal charges	6,509	-	-	-
Total governmental activities	<u>8,729,533</u>	<u>1,295,554</u>	<u>913,280</u>	<u>1,608,570</u>
Business-type activities:				
Water	3,823,437	3,556,797	-	515,487
Sewer	1,543,960	1,882,316	-	2,115,134
Solid waste	781,946	688,191	-	-
Total business-type activities	<u>6,149,343</u>	<u>6,127,304</u>	<u>-</u>	<u>2,630,621</u>
Total primary government	<u>\$ 14,878,876</u>	<u>\$ 7,422,858</u>	<u>\$ 913,280</u>	<u>\$ 4,239,191</u>

General revenues:

Property taxes levied for:
General purposes
Street Levy Fund
Fire pension fund
Income taxes levied for:
General purposes
Fire fund
Safety and Security fund
Retirement fund
Street fund
Street debt fund
Capital project fund
JEDD revenue levied for:
General purposes
Special revenue
Lodging tax levied for
General purposes
Special revenue
Grants and entitlements not restricted
to specific programs
Investment earnings
Miscellaneous
Total general revenues
Change in net position
Net position at beginning of year (restated)
Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

-Continued

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (1,252,697)	\$ -	\$ (1,252,697)
(3,350,014)	-	(3,350,014)
(252,167)	-	(252,167)
362,021	-	362,021
(234,945)	-	(234,945)
(190,139)	-	(190,139)
13,601	-	13,601
(1,280)	-	(1,280)
(6,509)	-	(6,509)
<u>(4,912,129)</u>	<u>-</u>	<u>(4,912,129)</u>
-	248,847	248,847
-	2,453,490	2,453,490
-	(93,755)	(93,755)
-	<u>2,608,582</u>	<u>2,608,582</u>
<u>(4,912,129)</u>	<u>2,608,582</u>	<u>(2,303,547)</u>
398,349	-	398,349
413,215	-	413,215
48,960	-	48,960
2,584,108	-	2,584,108
1,230,398	-	1,230,398
565,275	-	565,275
47,613	-	47,613
454,037	-	454,037
25,415	-	25,415
573,639	-	573,639
51,431	-	51,431
35,973	-	35,973
15,010	-	15,010
76,526	-	76,526
539,558	-	539,558
2,936	-	2,936
<u>256,660</u>	<u>104,350</u>	<u>361,010</u>
<u>7,319,103</u>	<u>104,350</u>	<u>7,423,453</u>
2,406,974	2,712,932	5,119,906
<u>5,220,274</u>	<u>7,413,022</u>	<u>12,633,296</u>
<u>\$ 7,627,248</u>	<u>\$ 10,125,954</u>	<u>\$ 17,753,202</u>

CITY OF COSHOCTON, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	Fire	Street	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents . . .	\$ 273,024	\$ 269,790	\$ 169,847	\$ 2,504,710	\$ 3,217,371
Receivables:					
Income taxes	746,463	355,660	132,779	322,302	1,557,204
Property and other local taxes	420,850	-	-	493,291	914,141
Accounts	41,292	-	2,424	12,393	56,109
Accrued interest	-	-	-	404	404
Special assessments	-	-	1,257	-	1,257
Due from other funds	1,415	-	-	-	1,415
Due from other governments	132,000	-	308,933	81,503	522,436
Materials and supplies inventory	1,674	-	70,400	-	72,074
Due from external parties	12,169	6,023	-	6,023	24,215
Total assets	<u>\$ 1,628,887</u>	<u>\$ 631,473</u>	<u>\$ 685,640</u>	<u>\$ 3,420,626</u>	<u>\$ 6,366,626</u>
Liabilities:					
Accounts payable	\$ 22,988	\$ 2,905	\$ 9,148	\$ 58,939	\$ 93,980
Contracts payable	-	-	50,059	-	50,059
Accrued wages and benefits payable	18,867	20,518	14,580	7,080	61,045
Compensated absences payable	2,403	-	-	-	2,403
Due to other funds	-	-	-	1,415	1,415
Due to other governments	55,957	47,200	16,002	22,143	141,302
Total liabilities	<u>100,215</u>	<u>70,623</u>	<u>89,789</u>	<u>89,577</u>	<u>350,204</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year . . .	390,918	-	-	452,504	843,422
Delinquent property tax revenue not available . .	29,932	-	-	34,647	64,579
Special assessments revenue not available	-	-	1,257	-	1,257
Miscellaneous revenue not available	31,074	-	-	-	31,074
Income tax revenue not available	525,417	250,340	93,460	226,859	1,096,076
Other nonexchange transactions not available . .	111,749	-	193,504	59,129	364,382
Total deferred inflows of resources	<u>1,089,090</u>	<u>250,340</u>	<u>288,221</u>	<u>773,139</u>	<u>2,400,790</u>
Total liabilities and deferred inflows of resources.	<u>1,189,305</u>	<u>320,963</u>	<u>378,010</u>	<u>862,716</u>	<u>2,750,994</u>
Fund balances:					
Nonspendable	6,118	-	70,400	250,000	326,518
Restricted	-	310,510	237,230	1,878,127	2,425,867
Committed	-	-	-	429,783	429,783
Assigned	288	-	-	-	288
Unassigned	433,176	-	-	-	433,176
Total fund balances	<u>439,582</u>	<u>310,510</u>	<u>307,630</u>	<u>2,557,910</u>	<u>3,615,632</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,628,887</u>	<u>\$ 631,473</u>	<u>\$ 685,640</u>	<u>\$ 3,420,626</u>	<u>\$ 6,366,626</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

Total governmental fund balances		\$	3,615,632
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			7,677,090
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Income taxes receivable	1,096,076		
Property taxes receivable	64,579		
Miscellaneous receivable	31,074		
Intergovernmental receivable	364,382		
Special assessments receivable	1,257		
Total	1,557,368		1,557,368
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position. The net position of the internal service fund, including internal balances of \$74,375, is:			(119,016)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:			
Capital lease payable	(7,880)		
Loan payable	(208,060)		
OPWC loans	(197,159)		
Compensated absences	(696,362)		
Total	(1,109,461)		(1,109,461)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows	640,638		
Deferred inflows	(74,589)		
Net pension liability	(4,560,414)		
Total	(3,994,365)		(3,994,365)
Net position of governmental activities		\$	<u>7,627,248</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	General	Fire	Street	Other Governmental Funds	Total Governmental Funds
Revenues:					
Income taxes	\$ 2,457,152	\$ 1,170,471	\$ 435,293	\$ 1,087,503	\$ 5,150,419
Property and other taxes.	396,419	-	-	519,113	915,532
Charges for services.	282,965	-	-	768,565	1,051,530
Licenses and permits	134,118	-	-	34,049	168,167
Fines and forfeitures	-	-	-	71,415	71,415
Intergovernmental.	435,024	-	2,133,118	458,292	3,026,434
Special assessments	-	-	313	-	313
Investment income.	2,936	-	79	11,566	14,581
JEDD revenue.	51,431	24,245	-	11,728	87,404
Other	23,926	16,636	45,371	18,923	104,856
Total revenues	3,783,971	1,211,352	2,614,174	2,981,154	10,590,651
Expenditures:					
Current:					
General government	1,507,256	-	-	191,530	1,698,786
Security of persons and property	1,438,385	1,195,062	-	422,674	3,056,121
Public health and welfare.	345,861	-	-	892,686	1,238,547
Transportation	-	-	1,053,628	644,395	1,698,023
Community environment	235,720	-	-	-	235,720
Leisure time activity	121,567	-	-	13,069	134,636
Urban redevelopment and housing	-	-	-	11,390	11,390
Other	1,280	-	-	-	1,280
Capital outlay	-	-	1,701,952	346,938	2,048,890
Debt service:					
Principal retirement.	2,533	-	-	24,432	26,965
Interest and fiscal charges	449	-	-	-	449
Total expenditures	3,653,051	1,195,062	2,755,580	2,547,114	10,150,807
Excess (deficiency) of revenues over (under) expenditures.	130,920	16,290	(141,406)	434,040	439,844
Other financing sources:					
Loan proceeds	-	-	75,000	-	75,000
Insurance proceeds.	188,850	-	-	-	188,850
Total other financing sources	188,850	-	75,000	-	263,850
Net change in fund balances	319,770	16,290	(66,406)	434,040	703,694
Fund balances at beginning of year	119,812	294,220	374,036	2,123,870	2,911,938
Fund balances at end of year	\$ 439,582	\$ 310,510	\$ 307,630	\$ 2,557,910	\$ 3,615,632

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Net change in fund balances - total governmental funds \$ 703,694

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.

Capital asset additions	\$	1,946,594	
Current year depreciation		(676,068)	
Total			1,270,526

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Income taxes		302,389	
Property taxes		36,528	
Miscellaneous		(754)	
Intergovernmental revenues		18,828	
Special assessments		15	
Total			357,006

Proceeds of loans are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position. (75,000)

Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 26,965

In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.
Capitalized interest on SIB loan (6,060)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 15,222

Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 421,548

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (457,142)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund, including internal balance activity of \$74,375, is allocated among the governmental activities. 150,215

Change in net position of governmental activities \$ 2,406,974

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 2,293,225	\$ 2,378,225	\$ 2,420,852	\$ 42,627
Property and other taxes.	409,500	409,500	396,410	(13,090)
Charges for services.	304,300	304,300	284,062	(20,238)
Licenses and permits	7,575	138,575	134,118	(4,457)
Intergovernmental.	405,236	405,236	434,228	28,992
Investment income.	5,700	5,700	2,936	(2,764)
JEDD revenue.	60,000	60,000	50,707	(9,293)
Other	169,000	38,000	23,926	(14,074)
Total revenues	<u>3,654,536</u>	<u>3,739,536</u>	<u>3,747,239</u>	<u>7,703</u>
Expenditures:				
Current:				
General government	1,384,408	1,581,606	1,509,480	72,126
Security of persons and property	1,617,699	1,568,208	1,431,331	136,877
Public health and welfare.	326,028	371,598	345,882	25,716
Community environment	17,630	237,173	234,038	3,135
Leisure time activity	125,200	126,323	124,920	1,403
Total expenditures	<u>3,470,965</u>	<u>3,884,908</u>	<u>3,645,651</u>	<u>239,257</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>183,571</u>	<u>(145,372)</u>	<u>101,588</u>	<u>246,960</u>
Other financing sources:				
Proceeds from Insurance.	-	188,850	188,850	-
Total other financing sources	<u>-</u>	<u>188,850</u>	<u>188,850</u>	<u>-</u>
Net change in fund balances	<u>183,571</u>	<u>43,478</u>	<u>290,438</u>	<u>246,960</u>
Fund balances (deficit) at beginning of year . .	<u>(22,308)</u>	<u>(22,308)</u>	<u>(22,308)</u>	<u>-</u>
Prior year encumbrances appropriated . . .	<u>162</u>	<u>162</u>	<u>162</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 161,425</u>	<u>\$ 21,332</u>	<u>\$ 268,292</u>	<u>\$ 246,960</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FIRE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income taxes	\$ 1,090,000	\$ 1,090,000	\$ 1,153,436	\$ 63,436
JEDD revenue.	20,452	20,452	23,387	2,935
Other	14,548	14,548	16,636	2,088
Total revenues	1,125,000	1,125,000	1,193,459	68,459
Expenditures:				
Current:				
Security of persons and property	1,071,000	1,256,800	1,209,487	47,313
Total expenditures	1,071,000	1,256,800	1,209,487	47,313
Net change in fund balances	54,000	(131,800)	(16,028)	115,772
Fund balances at beginning of year	285,818	285,818	285,818	-
Fund balance at end of year	\$ 339,818	\$ 154,018	\$ 269,790	\$ 115,772

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 STREET FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income taxes	\$ 427,700	\$ 427,700	\$ 430,616	\$ 2,916
Intergovernmental.	2,032,893	2,032,893	2,105,902	73,009
Special assessments	109	109	313	204
Investment income.	300	300	79	(221)
Other	15,891	15,891	42,947	27,056
Total revenues	<u>2,476,893</u>	<u>2,476,893</u>	<u>2,579,857</u>	<u>102,964</u>
Expenditures:				
Current:				
Transportation	1,160,131	1,160,131	1,095,250	64,881
Capital outlay	1,651,893	1,651,893	1,651,893	-
Total expenditures	<u>2,812,024</u>	<u>2,812,024</u>	<u>2,747,143</u>	<u>64,881</u>
Net change in fund balances.	(335,131)	(335,131)	(167,286)	167,845
Other financing sources:				
Loan proceeds	75,000	75,000	75,000	-
Total other financing sources	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Net change in fund balances	(260,131)	(260,131)	(92,286)	167,845
Fund balances at beginning of year	<u>261,840</u>	<u>261,840</u>	<u>261,840</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,709</u>	<u>\$ 1,709</u>	<u>\$ 169,554</u>	<u>\$ 167,845</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Nonmajor Enterprise Fund	Total	
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents . . .	\$ 2,472,600	\$ 1,575,115	\$ 454,443	\$ 4,502,158	\$ 76,248
Receivables:					
Accounts	278,388	289,204	129,695	697,287	-
Materials and supplies inventory	46,370	-	-	46,370	-
Total current assets	<u>2,797,358</u>	<u>1,864,319</u>	<u>584,138</u>	<u>5,245,815</u>	<u>76,248</u>
Noncurrent assets:					
Capital assets:					
Land	591,950	-	-	591,950	-
Depreciable capital assets, net	11,101,741	8,618,600	-	19,720,341	-
Total capital assets, net	<u>11,693,691</u>	<u>8,618,600</u>	<u>-</u>	<u>20,312,291</u>	<u>-</u>
Total assets	<u>14,491,049</u>	<u>10,482,919</u>	<u>584,138</u>	<u>25,558,106</u>	<u>76,248</u>
Deferred outflows of resources:					
Pension - OPERS	133,875	52,924	-	186,799	-
Liabilities:					
Current liabilities:					
Accounts payable	75,411	57,033	50,782	183,226	-
Accrued wages and benefits payable	9,655	20,361	-	30,016	-
Compensated absences payable - current	30,457	4,827	-	35,284	-
Due to other governments	26,892	12,603	-	39,495	-
Claims payable	-	-	-	-	120,889
OWDA loans payable	467,961	181,192	-	649,153	-
OPWC loans payable	24,485	4,593	-	29,078	-
Sewer Note	-	80,000	-	80,000	-
Refunding bond	1,615,000	-	-	1,615,000	-
Total current liabilities	<u>2,249,861</u>	<u>360,609</u>	<u>50,782</u>	<u>2,661,252</u>	<u>120,889</u>
Long-term liabilities:					
Compensated absences payable	185,918	82,105	-	268,023	-
OWDA loans payable	5,357,807	5,995,265	-	11,353,072	-
OPWC loans payable	377,963	25,104	-	403,067	-
Net pension liability	709,877	280,634	-	990,511	-
Total long-term liabilities	<u>6,631,565</u>	<u>6,383,108</u>	<u>-</u>	<u>13,014,673</u>	<u>-</u>
Total liabilities	<u>8,881,426</u>	<u>6,743,717</u>	<u>50,782</u>	<u>15,675,925</u>	<u>120,889</u>
Deferred inflows of resources:					
Pension - OPERS	12,471	4,930	-	17,401	-
Net position:					
Net investment in capital assets	3,850,475	2,332,446	-	6,182,921	-
Unrestricted (deficit)	1,880,552	1,454,750	533,356	3,868,658	(44,641)
Total net position (deficit)	<u>\$ 5,731,027</u>	<u>\$ 3,787,196</u>	<u>\$ 533,356</u>	<u>10,051,579</u>	<u>\$ (44,641)</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				74,375	
Net position of business-type activities				<u>\$ 10,125,954</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Nonmajor Enterprise Fund	Total	
Operating revenues:					
Charges for services	\$ 3,556,797	\$ 1,882,316	\$ 688,191	\$ 6,127,304	\$ 1,194,833
Other	99,876	4,474	-	104,350	-
Total operating revenues	<u>3,656,673</u>	<u>1,886,790</u>	<u>688,191</u>	<u>6,231,654</u>	<u>1,194,833</u>
Operating expenses:					
Personal services	1,082,593	544,065	-	1,626,658	-
Contract services	288,049	153,432	661,738	1,103,219	209,295
Materials and supplies	1,536,445	286,475	120,208	1,943,128	339
Claims	-	-	-	-	731,652
Other	3,010	-	-	3,010	-
Depreciation	744,799	405,214	-	1,150,013	-
Total operating expenses	<u>3,654,896</u>	<u>1,389,186</u>	<u>781,946</u>	<u>5,826,028</u>	<u>941,286</u>
Operating income (loss)	<u>1,777</u>	<u>497,604</u>	<u>(93,755)</u>	<u>405,626</u>	<u>253,547</u>
Nonoperating expenses:					
Interest and fiscal charges	(239,292)	(182,955)	-	(422,247)	-
Loss on sale of capital assets	(4,400)	-	-	(4,400)	-
Total nonoperating expenses	<u>(243,692)</u>	<u>(182,955)</u>	<u>-</u>	<u>(426,647)</u>	<u>-</u>
Income (loss) before contributions	<u>(241,915)</u>	<u>314,649</u>	<u>(93,755)</u>	<u>(21,021)</u>	<u>253,547</u>
Capital contributions	<u>515,487</u>	<u>2,115,134</u>	<u>-</u>	<u>2,630,621</u>	<u>-</u>
Change in net position	<u>273,572</u>	<u>2,429,783</u>	<u>(93,755)</u>	<u>2,609,600</u>	<u>253,547</u>
Net position (deficit) at beginning of year (restated)	<u>5,457,455</u>	<u>1,357,413</u>	<u>627,111</u>		<u>(298,188)</u>
Net position (deficit) at end of year	<u>\$ 5,731,027</u>	<u>\$ 3,787,196</u>	<u>\$ 533,356</u>		<u>\$ (44,641)</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				<u>103,332</u>	
Change in net position of business-type activities				<u>\$ 2,712,932</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Nonmajor Enterprise Fund	Total	
Cash flows from operating activities:					
Cash received from customers	\$ 3,652,564	\$ 1,860,376	\$ 686,124	\$ 6,199,064	\$ -
Cash received from interfund services	-	-	-	-	1,194,833
Cash received from other operations	99,876	4,474	-	104,350	-
Cash payments for personal services	(1,099,983)	(561,360)	(610,956)	(2,272,299)	-
Cash payments for contract services	(285,834)	(146,267)	(120,208)	(552,309)	(209,295)
Cash payments for materials and supplies	(1,518,001)	(267,445)	-	(1,785,446)	(339)
Cash payments for claims	-	-	-	-	(917,300)
Cash payments for other expenses	(3,010)	-	-	(3,010)	-
Net cash provided by (used in) operating activities. . .	<u>845,612</u>	<u>889,778</u>	<u>(45,040)</u>	<u>1,690,350</u>	<u>67,899</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(173,795)	(168,810)	-	(342,605)	-
Principal retirement on loans	(558,251)	(176,050)	-	(734,301)	-
Interest and fiscal charges	(239,292)	(182,955)	-	(422,247)	-
Net cash used in capital and related financing activities. .	<u>(971,338)</u>	<u>(527,815)</u>	<u>-</u>	<u>(1,499,153)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents . . .	(125,726)	361,963	(45,040)	191,197	67,899
Cash and cash equivalents at beginning of year	2,598,326	1,213,152	499,483	4,310,961	8,349
Cash and cash equivalents at end of year	<u>\$ 2,472,600</u>	<u>\$ 1,575,115</u>	<u>\$ 454,443</u>	<u>\$ 4,502,158</u>	<u>\$ 76,248</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 1,777	\$ 497,604	\$ (93,755)	\$ 405,626	\$ 253,547
Adjustments:					
Depreciation	744,799	405,214	-	1,150,013	-
Changes in assets and liabilities:					
Accounts receivable	95,436	(21,940)	(2,067)	71,429	-
Special assessments	331	-	-	331	-
Materials and supplies inventory	14,166	-	-	14,166	-
Deferred outflows - pension - OPERS	(45,532)	(18,000)	-	(63,532)	-
Accounts payable	19,569	26,195	50,782	96,546	-
Accrued wages and benefits	(2,623)	3,484	-	861	-
Intergovernmental payable	(27,353)	(4,041)	-	(31,394)	-
Compensated absences payable	16,538	(10,006)	-	6,532	-
Net pension liability	16,033	6,338	-	22,371	-
Deferred inflows - pension - OPERS	12,471	4,930	-	17,401	-
Claims payable	-	-	-	-	(185,648)
Net cash provided by (used in) operating activities. . .	<u>845,612</u>	<u>889,778</u>	<u>(45,040)</u>	<u>1,690,350</u>	<u>67,899</u>

Non-cash transactions:
 The water fund purchased materials on account for \$3,118
 The sewer fund purchased materials on account for \$16,000

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015

	<u>Private-Purpose Trust</u>	<u>Agency</u>
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 226,955	\$ 60,481
Cash in segregated accounts	-	4,858
Receivables:		
Accounts	-	648
Total assets	<u>226,955</u>	<u>\$ 65,987</u>
Liabilities:		
Due to others	-	\$ 61,129
Undistributed monies	-	4,858
Total liabilities	<u>-</u>	<u>\$ 65,987</u>
Net position:		
Held in trust	<u>226,955</u>	
Total net position	<u>\$ 226,955</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2015

	Private-Purpose Trust
	<u> </u>
Additions:	
Investment income	\$ 271
Total additions	<u> 271</u>
 Deductions:	
Benefits	<u> 654</u>
Total deductions	<u> 654</u>
 Change in net position	(383)
 Net position at beginning of year	<u> 227,338</u>
 Net position at end of year	<u><u> \$ 226,955</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 - DESCRIPTION OF THE CITY

The City of Coshocton (the "City"), established in 1811, is a statutory municipal corporation established and operated under the laws of the State of Ohio. The City is organized as a Mayor-council form of government. Eight council members are each elected for staggered two-year terms. The Mayor is elected for a four year term.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". For financial reporting purposes, the City's BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete.

The City provides various services including fire protection and prevention, water and sewer services, street maintenance and repairs, parks and recreation, refuse collection and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

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; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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 upon the application of these criteria, the City has no component units. The basic financial statements of the reporting entity include only those of the City (the primary government).

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the City:

JOINTLY GOVERNED ORGANIZATIONS

Ohio Mid-Eastern Governments Association (OMEGA) - The City is associated with the Ohio Mid-Eastern Governments Association, which is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a twenty-one member Executive Board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The mayor of the City of Coshocton serves as the City's representative on the Board. The Board has total control over budgeting, personnel and financial matters. Each member currently pays a per capita membership fee based on the most recent United States census. During 2015, OMEGA received \$2,241 from the City of Coshocton for an annual fee. OMEGA has no outstanding debt. Information can be obtained from 326 Highland Avenue, P.O. Box 130, Cambridge, Ohio 43725.

Coshocton - Franklin Joint Economic Development District (District) - The City of Coshocton has entered into a contractual agreement effective January 10, 2005 with Franklin Township to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State of Ohio, Coshocton County, the City, the Township and the District. The District is administered by a three to five member Board of Directors consisting of one member representing the City, one member representing the Township and appointed by the Township Trustees, one member who is a business owner in the District representing the business owners in the District, one member who is a person employed within the District and one member selected by unanimous vote of all members appointed at the time. The City nor the Township have any fixed financial obligation set aside for administrative costs and expenses of the Board. The City is responsible for basic administrative costs of the Board. The Board of Directors has entered into an agreement to administer, collect and enforce the income tax on behalf of the District with the City of Coshocton and the City Income Tax Commissioner. Upon termination of the contractual agreement, any property, assets and obligations of the District shall be divided equally between the parties, except that any items of infrastructure constructed by or for anybody shall be retained by that party.

Coshocton - Tuscarawas Joint Economic Development District (District) - The City of Coshocton has entered into a contractual agreement effective January 12, 2005 with Tuscarawas Township to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State of Ohio, Coshocton County, the City, the Township and the District. The District is administered by a three to five member Board of Directors consisting of one member representing the City, one member representing the Township, one member who is a business owner in the District representing the business owners in the District, one member who is a person employed within the District, and one member selected by unanimous vote of all members appointed at the time. The City nor the Township have any fixed financial obligation set aside for administrative costs and expenses of the Board. The City is responsible for basic administrative costs of the Board. The Board of Directors has entered into an agreement to administer, collect and enforce the income tax on behalf of the District with the City of Coshocton and City Income Tax Commissioner. Upon termination of the contractual agreement, any property, assets and obligations of the District shall be divided equally between the parties, except that any items of infrastructure constructed by or for anybody shall be retained by that party.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

PUBLIC ENTITY RISK POOL

The City participates in the Ohio Government Risk Management Plan (OGRMP), an insurance purchasing pool for commercial insurance, as established under Section 2744.08 of the Ohio Revised Code. The Board of Directors is responsible for collecting premiums, making payments to insurance agents, making payments to insurance companies, depositing appropriate amounts into OGRMP accounts and reimbursing Board members for their expenses. The Board of Directors consists of eleven members elected from the participants.

B. Basis of Presentation - Fund Accounting

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

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activities of the internal service fund are eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise fund include personnel and other expenses related to sewer, water and refuse operations and operating expenses for the internal service fund include claims and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Fund Accounting

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

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Fire fund - The fire fund accounts for income tax monies collected and used for general fire operations.

Street fund - The street fund accounts for all transactions relating to street maintenance and construction.

Other governmental funds of the City are used to account for (a) financial resources that are restricted or committed to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

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.

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

Water fund - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

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

Internal service fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports the operations of employee health insurance.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's only trust fund is a private-purpose trust which accounts for the Bachert Trust. The City's agency funds account for monies held for other governments and undistributed assets. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has three agency funds that are used to account for state patrol, bid bonds and court activity.

D. Measurement Focus and Basis of Accounting

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows, current liabilities and current deferred inflows generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

E. Basis of Accounting

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

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 8). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources have been reported for the following items related to the City's net pension liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) the City's contributions to the pension systems subsequent to the measurement date and (3) differences between employer's contributions and the employer's proportional share of contributions.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes, but is not limited to, delinquent property taxes, income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The City also reports deferred inflow of resources for the following items related to the City's net pension liability: (1) differences between expected and actual experience and (2) differences between employer's contributions and the employer's proportional share of contributions. These deferred inflows of resources are only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department for all funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

Tax Budget - During the first Council meeting in July, the Mayor presents the following year's annual operating budget to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. On or before December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include encumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Auditor determines, and the Budget Commission agrees, that estimates need to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2015.

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The appropriations for a fund may only be modified during the year by an ordinance of Council. The amounts on the budgetary statement reflect the final appropriation amounts, including all amendments and modifications legally enacted by Council.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

G. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary 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 cash equivalents" on the financial statements.

During 2015, investments were limited to non-negotiable certificates of deposit which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2015 amounted to \$2,936 which includes \$2,692 assigned from other City funds.

The City has segregated bank accounts for monies held separate from the City's central bank account for Municipal Court agency fund. These non-interest bearing depository accounts are presented in the financial statements as "cash in segregated accounts" since they are not required to be deposited into the City treasury.

For purposes of the statement of cash flows and for presentation on the statement of net position, all investments are considered to be cash equivalents.

An analysis of the City's investment account at year end is provided in Note 4.

H. Inventories of Materials and Supplies

On government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used.

For all funds, cost is determined on a first-in, first-out basis. Consistent with prior years, the inventory in the governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditures in the governmental fund types. Inventories of the proprietary funds are expensed when used.

I. Capital Assets

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

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of storm sewers, streets, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Land improvements	10 - 20 years	10 - 20 years
Buildings and improvements	10 - 50 years	10 - 50 years
Furniture and equipment	5 - 20 years	5 - 20 years
Vehicles	8 - 10 years	8 - 10 years
Infrastructure	20 years	10 - 20 years

J. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In conformity with GASB Statement No. 16, "Accounting for Compensated Absences", vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. On fund financial statements, long-term interfund loans are classified as “due to/from other funds” on the financial statements and are equally offset by a non-spendable fund balance which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances. The internal balance reported on the financial statements relates to the consolidation of the internal service fund with governmental activities.

M. 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 classification includes amounts that cannot be spent because they are not in spendable form or legally 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 loans receivable in the general fund.

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

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). 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) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted nor 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 policies of City Council, which includes giving the City Auditor the authority to constrain monies for intended purposes.

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

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

N. Estimates

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

O. Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes consists primarily of permissive motor vehicle license tax, municipal court special projects and the joint economic development district.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. As of December 31, 2015, net position restricted by enabling legislation was \$6,140 on the statement of net position.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2015.

Q. Pensions

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For 2015, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the City's pension plan disclosures, as presented in Note 15 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities and business-type activities at January 1, 2015 have been restated as follows:

	Governmental Activities			
Net position as previously reported	\$		9,179,045	
Deferred outflows - payments subsequent to measurement date			398,974	
Net pension liability			(4,357,745)	
Restated net position at January 1, 2015	\$		5,220,274	
				Nonmajor Enterprise Funds
	Business-Type Activities	Water Fund	Sewer Fund	
Net position as previously reported	\$ 8,257,895	\$ 6,062,956	\$ 1,596,785	\$ 627,111
Deferred outflows - payments subsequent to measurement date	123,267	88,343	34,924	-
Net pension liability	(968,140)	(693,844)	(274,296)	-
Restated net position at January 1, 2015	\$ 7,413,022	\$ 5,457,455	\$ 1,357,413	\$ 627,111

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on governmental fund balances.

B. Deficit Fund Balances

The internal service fund has a deficit net position of \$44,641 at December 31, 2015, resulting from accrued liabilities. The deficit balance will be eliminated by resources not recognized at fiscal year-end.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the City 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.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits must be evidenced by time certificates of deposit or by savings or deposit accounts including passbook accounts.

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City Auditor or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At December 31, 2015, the City had \$507 of undeposited cash on hand which is included in “equity in pooled cash and cash equivalents”.

B. Cash in Segregated Accounts

At December 31, 2015, \$4,858 was deposited in a segregated account for the City’s Municipal Court. This amount is excluded from the internal cash pool and is reported on the statement of fiduciary net position as “cash in segregated accounts”.

C. Deposits with Financial Institutions

At December 31, 2015, the carrying amount of all City deposits was \$8,082,706. Based on the criteria described in GASB Statement No. 40, “*Deposits and Investment Risk Disclosures*”, as of December 31, 2015, \$7,523,584 of the City’s bank balance of \$8,191,721 was exposed to custodial risk as discussed below, while \$668,137 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

D. Investments

The City had no investments at December 31, 2015.

E. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 8,082,706
Cash in segregated accounts	4,858
Cash on hand	<u>507</u>
Total	<u>\$ 8,088,071</u>

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 3,293,619
Business-type activities	4,502,158
Private-purpose trust fund	226,955
Agency funds	<u>65,339</u>
Total	<u>\$ 8,088,071</u>

NOTE 5 - INTERFUND ACTIVITY

- A. Due from/to other funds consisted of the following at December 31, 2015, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 1,415

Amounts due from/to other funds between governmental funds are eliminated on the government-wide financial statements.

- B. Due from external parties at December 31, 2015, consisted of the following as reported on the fund statements:

	<u>Agency</u>
General fund	\$ 12,169
Fire fund	6,023
Nonmajor governmental fund	<u>6,023</u>
	<u>\$ 24,215</u>

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. 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 real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 6 - PROPERTY TAXES - (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Coshocton. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2015 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow since the current taxes were not levied to finance 2015 operations and the collection of delinquent taxes has been offset by a deferred inflow since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow.

The full tax rate for all City operations for the year ended December 31, 2015 was \$2.80 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2015 property tax receipts were based are as follows:

Real property tax	\$ 170,177,670
Public utility tangible personal property	<u>7,864,240</u>
Total assessed value	<u><u>\$ 178,041,910</u></u>

NOTE 7 - RECEIVABLES

Receivables at December 31, 2015, consisted of taxes, accounts (billings for user charged services), accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2015.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Income taxes	\$ 1,557,204
Real and other local taxes	914,141
Accounts	56,109
Accrued interest	404
Special assessments	1,257
Due from other governments	522,436

Business-type activities:

Accounts	697,287
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Receivables have been disaggregated on the face of the BFS. The only receivables not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment. The amount of delinquent special assessments at December 31, 2015 was \$1,257.

CITY OF COSHOCTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 8 - MUNICIPAL INCOME TAXES

The City levies a municipal income tax of one and a half percent on all net profits and all salaries, wages commissions and other compensation earned within the City as well as on incomes of residents earned outside of the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality to a maximum of the total amount assessed.

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

Income tax revenues are received by the general fund, fire fund, street fund and the following nonmajor governmental funds: fire capital projects fund, capital improvement fund, street debt fund and the retirement payouts fund.

NOTE 9 - LODGING TAX

On February 27, 2006 City Council passed a 3% lodging tax. This allows the City to tax all transactions by which lodging in a hotel, motel, rooming house and other lodging accommodations are furnished to transit guests. 80% of the revenues from this tax are restricted to the Coshocton County Convention and Visitors Bureau while the remaining 20% of collections remains in the general fund.

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CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - CAPITAL ASSETS

A. Governmental activities capital asset activity for the year ended December 31, 2015, was as follows:

<u>Governmental activities:</u>	Balance <u>12/31/14</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/15</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,059,518	\$ -	\$ -	\$ 1,059,518
Construction in progress	<u>-</u>	<u>1,701,952</u>	<u>-</u>	<u>1,701,952</u>
Total capital assets, not being depreciated	<u>1,059,518</u>	<u>1,701,952</u>	<u>-</u>	<u>2,761,470</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	112,738	-	-	112,738
Buildings and improvements	3,211,979	-	-	3,211,979
Furniture and equipment	1,200,158	223,978	-	1,424,136
Vehicles	3,397,505	20,664	(234,729)	3,183,440
Infrastructure	<u>9,100,095</u>	<u>-</u>	<u>-</u>	<u>9,100,095</u>
Total capital assets, being depreciated	<u>17,022,475</u>	<u>244,642</u>	<u>(234,729)</u>	<u>17,032,388</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(36,644)	(6,010)	-	(42,654)
Buildings and improvements	(1,781,634)	(82,669)	-	(1,864,303)
Furniture and equipment	(856,416)	(57,588)	-	(914,004)
Vehicles	(2,126,282)	(264,377)	234,729	(2,155,930)
Infrastructure	<u>(6,874,453)</u>	<u>(265,424)</u>	<u>-</u>	<u>(7,139,877)</u>
Total accumulated depreciation	<u>(11,675,429)</u>	<u>(676,068)</u>	<u>234,729</u>	<u>(12,116,768)</u>
Total capital assets, being depreciated, net	<u>5,347,046</u>	<u>(431,426)</u>	<u>-</u>	<u>4,915,620</u>
Governmental activities capital assets, net	<u>\$ 6,406,564</u>	<u>\$ 1,270,526</u>	<u>\$ -</u>	<u>\$ 7,677,090</u>

Depreciation expense was charged to governmental activities as follows:

<u>Governmental activities:</u>	
General government	\$ 29,307
Security of persons and property	249,447
Public health and welfare	9,243
Transportation	314,255
Leisure time activity	<u>73,816</u>
Total depreciation expense	<u>\$ 676,068</u>

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital asset activity for the year ended December 31, 2015, was as follows:

<u>Business-type activities:</u>	Balance <u>12/31/14</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/15</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 591,950	\$ -	\$ -	\$ 591,950
Total capital assets, not being depreciated	<u>591,950</u>	<u>-</u>	<u>-</u>	<u>591,950</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	63,177	-	-	63,177
Buildings and improvements	10,290,847	-	-	10,290,847
Furniture and equipment	9,510,371	20,898	(172,000)	9,359,269
Vehicles	673,674	340,825	(11,000)	1,003,499
Infrastructure	<u>18,977,824</u>	<u>3,621,138</u>	<u>-</u>	<u>22,598,962</u>
Total capital assets, being depreciated	<u>39,515,893</u>	<u>3,982,861</u>	<u>(183,000)</u>	<u>43,315,754</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(55,017)	(1,633)	-	(56,650)
Buildings and improvements	(4,675,295)	(243,806)	-	(4,919,101)
Furniture and equipment	(4,596,729)	(293,256)	172,000	(4,717,985)
Vehicles	(437,148)	(72,904)	6,600	(503,452)
Infrastructure	<u>(12,859,811)</u>	<u>(538,414)</u>	<u>-</u>	<u>(13,398,225)</u>
Total accumulated depreciation	<u>(22,624,000)</u>	<u>(1,150,013)</u>	<u>178,600</u>	<u>(23,595,413)</u>
Total capital assets, being depreciated, net	<u>16,891,893</u>	<u>2,832,848</u>	<u>(4,400)</u>	<u>19,720,341</u>
Business-type activities capital assets, net	<u>\$ 17,483,843</u>	<u>\$ 2,832,848</u>	<u>\$ (4,400)</u>	<u>\$ 20,312,291</u>

Depreciation expense was charged to the enterprise funds as follows:

Business-type activities:

Water	\$ 744,799
Sewer	<u>405,214</u>
Total depreciation expense	<u>\$ 1,150,013</u>

CITY OF COSHOCTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 11 - OTHER EMPLOYEE BENEFITS - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned, unused vacation time is paid upon termination of employment. Employees earn sick leave at different rates depending upon length of service and type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee can be paid a maximum of 960 hours, 720 hours or 480 hours of accumulated, unused sick leave depending on the policy or union agreement the employee is under. As of December 31, 2015, the liability for unpaid compensated absences was \$1,002,073 for the entire City, which is reported as a fund liability and/or on the government-wide financial statements as applicable.

NOTE 12 - CAPITAL LEASE - LESSEE DISCLOSURE

In 2014, the City entered into a capital lease agreement for a copier. At inception, capital lease transactions are accounted for as capital outlay expenditure and other financing source in the appropriate fund.

Capital assets consisting of furniture and equipment have been capitalized in the amount of \$13,218. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2015 was \$5,288, leaving a current book value of \$7,930. A corresponding liability was recorded in the government-wide financial statements. Principal and interest payments in 2015 totaled \$2,982 paid by the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2015.

Year Ending <u>December 31,</u>	<u>Governmental Activities</u>
2016	\$ 2,982
2017	2,982
2018	<u>2,485</u>
Total future minimum lease payments	8,449
Less: amount representing interest	<u>(569)</u>
Present value of net minimum lease payments	<u>\$ 7,880</u>

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - LONG-TERM OBLIGATIONS

A. Governmental Activities

During 2015, the following changes occurred in long-term obligations for governmental activities. Long-term obligations have been restated as described in Note 3.

	Restated Balance	Additions	Reductions	Balance	Amounts Due in
<u>Governmental activities:</u>	<u>12/31/14</u>	<u>12/31/14</u>	<u>12/31/14</u>	<u>12/31/15</u>	<u>One Year</u>
ODOT loan payable	\$ 202,000	\$ 6,060	\$ -	\$ 208,060	\$ 18,130
OPWC loan - CN19M - 0%	146,591	-	(24,432)	122,159	24,432
OPWC loan - CN18R - 0%	-	75,000	-	75,000	-
Capital lease	10,413	-	(2,533)	7,880	2,659
Net pension liability	4,357,745	202,669	-	4,560,414	-
Compensated absences	711,584	63,844	(76,662)	698,766	126,136
	<u>711,584</u>	<u>63,844</u>	<u>(76,662)</u>	<u>698,766</u>	<u>126,136</u>
Total governmental activities					
long-term obligations	<u>\$ 5,428,333</u>	<u>\$ 347,573</u>	<u>\$ (103,627)</u>	<u>\$ 5,672,279</u>	<u>\$ 171,357</u>

Loan payable

During 2013, the City entered into a State Infrastructure Bank Loan (the “Loan”) in the amount of \$202,000 with the State of Ohio, Ohio Department of Transportation (“ODOT”) to help finance the Chestnut Street Repaving Project. Under the terms of the loan agreement, no interest is assessed on the Loan from the date of closing through the last day of the 12th month. From the first day of the 13th month after closing through final maturity, the interest rate will be 3%. From month 13 through 24, interest due on the loan will accrue and be added to the principal of the loan. The accrued interest amount for this period is estimated to be \$6,060 and was added to the loan balance on July 1, 2015. The amortization schedule presented on the next page reflects repayment of the amount actually borrowed (\$202,000) plus the interest accrued from month 13 through 24 as stated above (\$6,060).

OPWC loan

Improvements to the City’s South Second Street were financed by an Ohio Public Works Commission (OPWC) loan. This loan has a 0% interest rate and matures July 1, 2020. The loan is payable in semi-annual installments. During the 2015, principal payments were made from the 7 ½% state route fund and the motor vehicle license fund (both are nonmajor governmental funds).

During 2015, the City obtained an OPWC loan in order to finance the local share of a project conducted by Ohio Department of Transportation (ODOT). The loan has a 0% interest rate, the City received \$75,000 in loan proceeds during 2015. As of December 31, 2015, the loan had not yet been finalized.

Capital lease

See Note 12 for more information on the City’s capital lease obligations.

Net pension liability

See Note 15 for more information on net pension liability.

Compensated absences

Compensated absences are reported in the statement of net position and will be paid from the fund from which the employee’s salaries are paid which will primarily be the general fund, the street fund, and the home health fund (a nonmajor governmental fund).

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

At December 31, 2015, the City's future annual principal payments were as follows. An amortization schedule was not available for OPWC loan CN18R as of the time of this report and is not included in the debt schedules below.

Year Ending December 31,	OPWC			State Infrastructure Bank Loan Payable		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 24,432	\$ -	\$ 24,432	\$ 18,130	\$ 5,835	\$ 23,965
2017	24,432	-	24,432	18,678	5,279	23,957
2018	24,432	-	24,432	19,243	4,706	23,949
2019	24,432	-	24,432	19,825	4,115	23,940
2020	24,431	-	24,431	20,424	3,507	23,931
2021 - 2025	-	-	-	111,760	7,749	119,509
Total	<u>\$ 122,159</u>	<u>\$ -</u>	<u>\$ 122,159</u>	<u>\$ 208,060</u>	<u>\$ 31,191</u>	<u>\$ 239,251</u>

B. Business-Type Activities

During 2015, the following changes occurred in long-term obligations for business-type activities. Long-term obligations have been restated as described in Note 3.

	Restated Balance 12/31/14	Additions	Reductions	Balance 12/31/15	Amounts Due in One Year
<u>Business-type activities:</u>					
<u>OWDA loans</u>					
OWDA loan - 3.5%	\$ 6,277,769	\$ -	\$ (452,001)	\$ 5,825,768	\$ 467,961
OWDA loan - 3.0%	<u>7,492,885</u>	<u>-</u>	<u>(1,316,428)</u>	<u>6,176,457</u>	<u>181,192</u>
Total OWDA loans	<u>13,770,654</u>	<u>-</u>	<u>(1,768,429)</u>	<u>12,002,225</u>	<u>649,153</u>
<u>OPWC loans</u>					
OPWC loan - 0%, CN090	202,500	-	(11,250)	191,250	11,250
OPWC loan - 0%, CN12F	-	7,289	-	7,289	858
OPWC loan - 0%, CN06B	-	22,408	-	22,408	3,735
OPWC loan - 0%, CN10K	-	32,297	-	32,297	2,392
OPWC loan - 0%, CN23N	-	19,264	-	19,264	1,168
OPWC loan - 0%, CN15N	<u>-</u>	<u>159,637</u>	<u>-</u>	<u>159,637</u>	<u>9,675</u>
Total OPWC loans	<u>202,500</u>	<u>240,895</u>	<u>(11,250)</u>	<u>432,145</u>	<u>29,078</u>
Sewer Notes	-	80,000	-	80,000	80,000
Refunding Bonds, Series 2012	-	1,710,000	(95,000)	1,615,000	1,615,000
<u>Other long-term obligations</u>					
Net pension liability	968,140	22,371	-	990,511	-
Compensated absences	<u>296,775</u>	<u>34,133</u>	<u>(27,601)</u>	<u>303,307</u>	<u>35,284</u>
Total other long-term obligations	<u>1,264,915</u>	<u>56,504</u>	<u>(27,601)</u>	<u>1,293,818</u>	<u>35,284</u>
Total business-type activities long-term obligations	<u>\$ 15,238,069</u>	<u>\$ 2,087,399</u>	<u>\$ (1,902,280)</u>	<u>\$ 15,423,188</u>	<u>\$ 2,408,515</u>

CITY OF COSHOCTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

OWDA loans

In 2004, the City entered into a debt financing arrangement through the OWDA to fund water treatment plant improvements. The amounts due to the OWDA are payable solely from water fund revenues. The loan agreement functions similar to a line-of-credit agreement. At December 31, 2015, the City has outstanding borrowings of \$5,825,768. The City has pledged future water fund revenues, net of certain operating expenses, to repay this loan. The loan is payable solely from water fund net revenues. Annual principal and interest payments on the loan are expected to require 89.45 percent of water fund net revenues. The total estimated principal and interest remaining to be paid on the loan is \$7,011,937. Principal and interest paid for the current year was \$667,803 and total net revenues were \$746,576.

In 2006, the City entered into a debt financing arrangement through the OWDA to fund ethanol plant improvements. The amounts due to the OWDA are payable solely from sewer fund revenues. The loan agreement functions similar to a line-of-credit agreement. During 2015 OWDA reduced the amount of the loan by \$1,140,378. This amount is considered a capital contribution in the financial statements. At December 31, 2015, the City has outstanding borrowings of \$6,176,457. The City has pledged future sewer fund revenues, net of certain operating expenses, to repay this loan. The loan is payable solely from sewer fund net revenues. Annual principal and interest payments on the loan are expected to require 39.77 percent of sewer fund net revenues. The total estimated principal and interest remaining to be paid on the loan is \$8,606,128. Principal and interest paid for the current year was \$359,005 and total net revenues were \$902,818.

OPWC loans

In 2012, the City entered into a debt financing arrangement through OPWC to fund waterline replacements. The amounts due to the OPWC are payable solely from water fund revenues. The loan is interest free. At December 31, 2015, the City has outstanding borrowings of \$191,250. Principal payments for 2015 amounted to \$11,250.

In 2015, the City entered into a transfer agreement with Coshocton County to acquire water and sewer lines as well as the related debt. The total balance of OPWC loans assumed from the County is \$240,895. For further information on the transfer of operations see Note 21.

Refunding bonds and sewer note

During 2015 the City entered into an agreement with Coshocton County to acquire water and sewer lines as well as the related debt. Of the debt assumed, the refunding bonds and sewer notes were considered due within one year per the transfer agreement. These amounts have been disclosed in the financial statements. For further information on the transfer of operations see Note 21.

Compensated absences

Compensated absences are reported in the statement of net position and will be paid from the fund from which the employee's salaries are paid which will primarily be the sewer fund and water fund.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the City's OPWC and OWDA loans outstanding at December 31, 2015 are as follows.

Year Ending December 31,	OWDA			OPWC		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 649,153	\$ 377,656	\$ 1,026,809	\$ 29,078	\$ -	\$ 29,078
2017	670,968	355,841	1,026,809	29,078	-	29,078
2018	693,520	323,289	1,016,809	29,078	-	29,078
2019	716,836	309,973	1,026,809	29,078	-	29,078
2020	740,941	285,868	1,026,809	29,078	-	29,078
2021 - 2025	4,095,819	1,038,226	5,134,045	129,157	-	129,157
2026 - 2030	1,609,070	519,859	2,128,929	118,843	-	118,843
2031 - 2035	1,479,243	315,784	1,795,027	38,755	-	38,755
2036 - 2039	1,346,675	89,346	1,436,021	-	-	-
Total	<u>\$12,002,225</u>	<u>\$ 3,615,842</u>	<u>\$15,618,067</u>	<u>\$ 432,145</u>	<u>\$ -</u>	<u>\$ 432,145</u>

C. Legal Debt Margin

As of December 31, 2015, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$18,694,401.

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2015, the City contracted for various types of insurance as follows:

<u>Company</u>	<u>Type</u>	<u>Coverage</u>
Rinehart, Walters, Danner & Associates	Public Officials Liability (each wrongful act)	\$ 5,000,000
	General Liability (per occurrence)	7,000,000
	Comprehensive Crime	10,000
	Commercial Inland Marine	1,721,447
	Electronic Equipment	165,523
	Employers Liability (Ohio Stop Gap)	5,000,000
	Employee Benefits (each incident)	5,000,000
	Property	65,771,331
	Automobile	5,000,000

Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - RISK MANAGEMENT - (Continued)

The City, together with other government entities, participates in the Ohio Government Risk Management Plan (Plan), an insurance purchasing pool, for commercial insurance coverage. The City pays an annual premium to the Plan for its general insurance coverage. The agreement for the formation of the Plan provides that the Plan will be self-sustaining through member premiums and will insure through commercial companies to pay claims. The Plan is intended to achieve lower insurance rates for the participants. Under this Plan, the Ohio Government Risk Management’s Board of Directors contracts with Hylant Administrative Services, Inc. to act as the agent and coordinate the pool. Hylant Administrative Services, Inc. then contracts with various insurance companies to cover losses.

The City participates in the Ohio Municipal League Group Rating Plan (OML) for workers’ compensation. The intent of the OML is to achieve the benefit of a reduced premium for the participants, foster safer working environments and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the OML. The workers’ compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the OML. Each participant pays its workers’ compensation premium to the State based on the rate for the OML rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings of the OML. A participant will then either receive money from or be required to contribute to the “equity pooling fund.” This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the OML. Participation in the OML is limited to cities that can meet the OML’s selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the OML.

The City manages the hospital/medical, dental and life insurance benefits for its employees on a self-insured basis through an internal service fund. A third party administrator, Aultra Administrative Services, processes and pays the claims. An excess coverage insurance (stop loss) policy covers claims in excess of \$100,000 per employee, per year.

The City’s policy for reporting a claims liability is based on the requirements GASB Statement No. 10, *“Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”*, as amended by GASB Statement No. 30, *“Risk Financing Omnibus”*, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. As of December 31, 2015, there were \$120,889 in outstanding claims pending that are reported in the internal service fund at December 31, 2015.

<u>Year Ended</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2015	\$ 306,537	\$ 731,652	\$ (917,300)	\$ 120,889
2014	229,850	1,268,893	(1,192,206)	306,537

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

The 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 any net pension 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 proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time 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 Pension Plan.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension 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 Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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

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.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
Employee	10.0 %

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

The City’s contractually required contribution for both the Traditional Pension Plan and the Combined Plan was \$384,207 for 2015. Of this amount, \$51,082 is reported as due to other governments.

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

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

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

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

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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:

	<u>Police</u>	<u>Firefighters</u>
2015 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
 2015 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50 %</u>	<u>0.50 %</u>
 Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
 Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$169,615 for 2015. Of this amount \$29,465 is reported as due to other governments.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The net pension liability for the OPERS Traditional Pension Plan, was measured as of December 31, 2014, and the total pension liability or asset 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, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportionate share of the net pension liability	\$ 2,877,058	\$ 2,673,867	\$ 5,550,925
Proportion of the net pension liability	0.02385400%	0.05161490%	
Pension expense	\$ 315,196	\$ 250,461	\$ 565,657

At December 31, 2015, 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	\$ 153,511	\$ 115,241	\$ 268,752
Difference between employer contributions and proportionate share of contributions	4,863	-	4,863
City contributions subsequent to the measurement date	384,207	169,615	553,822
Total deferred outflows of resources	\$ 542,581	\$ 284,856	\$ 827,437
Deferred inflows of resources			
Differences between expected and actual experience	50,544	-	50,544
Difference between employer contributions and proportionate share of contributions	-	41,446	41,446
Total deferred inflows of resources	\$ 50,544	\$ 41,446	\$ 91,990

\$553,822 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/asset in the year ending December 31, 2016.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2016	\$ 17,301	\$ 18,448	\$ 35,749
2017	17,301	18,448	35,749
2018	34,851	18,448	53,299
2019	<u>38,378</u>	<u>18,452</u>	<u>56,830</u>
Total	<u>\$ 107,831</u>	<u>\$ 73,796</u>	<u>\$ 181,627</u>

Actuarial Assumptions - OPERS

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

Projections of 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/asset in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	3 percent, simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent 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 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes 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 investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 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	19.90	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	19.10	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

Discount Rate - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City’s proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the City’s proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 5,292,964	\$ 2,877,058	\$ 842,285

CITY OF COSHOCTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, 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, 2014, are presented below:

Valuation date	January 1, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8.25 percent
Projected salary increases	4.25 percent to 11 percent
Payroll increases	3.75 percent
Inflation assumptions	3.25 percent
Cost of living adjustments	2.60 percent and 3.00 percent

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.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

* levered 2x

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

Discount Rate - The total pension liability was calculated using the discount rate of 8.25 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	\$ 3,698,363	\$ 2,673,867	\$ 1,806,431

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which fund 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 2015, state and local employers contributed at a rate of 14.0 percent of earnable salary 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.

OPERS maintains three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. 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 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 employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$64,035, \$58,517, and \$28,647, respectively; 88.60% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

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

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

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the 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, 24.00% of covered payroll for fire employers. The Ohio Revised Code states that the employer contribution may not exceed 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

CITY OF COSHOCTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2015, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for firefighters were \$3,609 for the year ended December 31, 2015, \$4,456 for the year ended December 31, 2014, and \$32,586, for the year ended December 31, 2013. 100% has been contributed for 2014 and 2013. 82.99% has been contributed for firefighters for the year ended 2015. The remaining 2015 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund, fire fund and street fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance

	<u>General fund</u>	<u>Fire fund</u>	<u>Street fund</u>
Budget basis	\$ 290,438	\$ (16,028)	\$ (92,286)
Net adjustment for revenue accruals	36,732	17,893	34,317
Net adjustment for expenditure accruals	(6,570)	14,425	(8,729)
Funds budgeted elsewhere	(1,280)	-	-
Adjustment for encumbrances	<u>450</u>	<u>-</u>	<u>292</u>
GAAP basis	<u>\$ 319,770</u>	<u>\$ 16,290</u>	<u>\$ (66,406)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the unclaimed monies fund.

NOTE 18 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2015.

B. Litigation

The City is currently involved in litigation as a defendant. However, at December 31, 2015, the outcome of the lawsuit is undetermined.

NOTE 19 - OTHER COMMITMENTS

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 288
Street fund	296
Nonmajor governmental funds	<u>52,813</u>
Total	<u>\$ 53,397</u>

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 20 - FUND BALANCE

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 resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Fire Fund	Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 1,674	\$ -	\$ 70,400	\$ -	\$ 72,074
Perpetual care	-	-	-	250,000	250,000
Unclaimed monies	<u>4,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,444</u>
Total nonspendable	<u>6,118</u>	<u>-</u>	<u>70,400</u>	<u>250,000</u>	<u>326,518</u>
Restricted:					
Capital projects	-	-	-	769,579	769,579
Perpetual care	-	-	-	178,476	178,476
Transportation projects	-	-	237,230	114,626	351,856
Public safety programs	-	310,510	-	113,386	423,896
Public health and welfare programs	-	-	-	488,293	488,293
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,767</u>	<u>213,767</u>
Total restricted	<u>-</u>	<u>310,510</u>	<u>237,230</u>	<u>1,878,127</u>	<u>2,425,867</u>
Committed:					
Capital projects	-	-	-	259,050	259,050
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,733</u>	<u>170,733</u>
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>429,783</u>	<u>429,783</u>
Assigned:					
Other purposes	<u>288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>288</u>
Total assigned	<u>288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>288</u>
Unassigned	<u>433,176</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>433,176</u>
Total fund balances	<u>\$ 439,582</u>	<u>\$ 310,510</u>	<u>\$ 307,630</u>	<u>\$ 2,557,910</u>	<u>\$ 3,615,632</u>

CITY OF COSHOCTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 21 – TRANSFER OF OPERATIONS

On August 5, 2015, the City acquired, through transfer of ownership, the water and sewer lines owned by Coshocton County. The transfer also included the debt related to those capital assets. The total value of the assets acquired was \$3,621,138. See Note 10 for more information regarding capital assets. Debt assumed consisted of the following: \$240,895 of OPWC loans, \$80,000 of sewer notes, and \$1,710,000 of refunding bonds. The sewer notes and refunding bonds are considered to be due within one year per the transfer agreement. See Note 13 for more information on long-term obligations. The remaining balance of \$1,590,243 is considered a capital contribution by the City. These items are reflected in the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COSHOCTON, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>		
City's proportion of the net pension liability	0.023854%	0.023854%
City's proportionate share of the net pension liability	\$ 2,877,058	\$ 2,812,077
City's covered-employee payroll	\$ 2,983,700	\$ 2,864,677
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	96.43%	98.16%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%

Note: Information prior to 2013 was unavailable.

Amounts presented as of the City's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COSHOCTON, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TWO YEARS

	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability	0.05161490%	0.05161490%
City's proportionate share of the net pension liability	\$ 2,673,867	\$ 2,513,808
City's covered-employee payroll	\$ 698,711	\$ 903,238
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	382.69%	278.31%
Plan fiduciary net position as a percentage of the total pension liability	72.20%	73.00%

Note: Information prior to 2013 was unavailable.

Amounts presented as of the City's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COSHOCTON, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 384,207	\$ 358,044	\$ 372,408	\$ 269,309
Contributions in relation to the contractually required contribution	<u>(384,207)</u>	<u>(358,044)</u>	<u>(372,408)</u>	<u>(269,309)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 3,201,725	\$ 2,983,700	\$ 2,864,677	\$ 2,693,090
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	10.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ -	\$ -	\$ -	\$ 1,622
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,622)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ -	\$ -	\$ -	\$ 20,403
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	7.95%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 260,997	\$ 171,785	\$ 221,943	\$ 164,443	\$ 227,900	\$ 238,220
<u>(260,997)</u>	<u>(171,785)</u>	<u>(221,943)</u>	<u>(164,443)</u>	<u>(227,900)</u>	<u>(238,220)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,609,970	\$ 1,926,561	\$ 2,731,606	\$ 2,349,186	\$ 2,729,341	\$ 2,589,348
10.00%	8.92%	8.13%	7.00%	8.35%	9.20%
\$ 1,398	\$ 7,650	\$ -	\$ -	\$ -	\$ -
<u>(1,398)</u>	<u>(7,650)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 17,585	\$ 78,975	\$ -	\$ -	\$ -	\$ -
7.95%	9.69%	8.13%	7.00%	8.35%	9.20%

CITY OF COSHOCTON, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Fire:</i>				
Contractually required contribution	\$ 169,615	\$ 164,197	\$ 184,080	\$ 143,984
Contributions in relation to the contractually required contribution	<u>(169,615)</u>	<u>(164,197)</u>	<u>(184,080)</u>	<u>(143,984)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 721,766	\$ 698,711	\$ 903,238	\$ 834,690
Contributions as a percentage of covered-employee payroll	23.50%	23.50%	20.38%	17.25%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 146,346	\$ 153,710	\$ 144,696	\$ 137,375	\$ 145,792	\$ 136,952
<u>(146,346)</u>	<u>(153,710)</u>	<u>(144,696)</u>	<u>(137,375)</u>	<u>(145,792)</u>	<u>(136,952)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 848,383	\$ 891,072	\$ 838,817	\$ 796,377	\$ 845,171	\$ 842,782
17.25%	17.25%	17.25%	17.25%	17.25%	16.25%

CITY OF COSHOCTON, OHIO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Coshocton
Coshocton County
760 Chestnut Street
Coshocton, Ohio 43812

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coshocton, Coshocton County, Ohio (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 25, 2016, wherein we noted the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

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

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the City's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

October 25, 2016

**CITY OF COSHOCTON
COSHOCTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Material Weakness

The City should maintain an accounting system and accounting records sufficient to enable the City to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements in accordance with generally accepted accounting principles.

As a result of audit procedures performed, errors were noted in the City's financial statements and GAAP conversion that required audit adjustments and reclassifications as follows:

- The City began collecting property taxes in their Street Levy fund in 2015. Street Levy real estate revenue of \$373,910 was incorrectly identified as Intergovernmental Revenue instead of Property and Other Local Taxes;
- The General Fund received insurance proceeds of \$188,850. This was incorrectly identified as Other Revenue instead of Proceeds from Insurance, an Other Financing Source;
- The City obtained a loan from the Ohio Public Works Commission (OPWC) to pay for street improvements. OPWC disbursed \$75,000 of the loan proceeds on-behalf of the City in 2015. However, the City reported the total of the loan in the amount of \$324,999 as Loan Proceeds and Capital Outlay in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund. Additionally, the \$324,999 was included in Capital Assets – Land and Construction in Progress and Long-term Liabilities - Due in More than One Year – Other Amounts Due in More than One Year. The reported amount was equal to the total loan agreement. However, only actual proceeds spent should be reported. As a result, Loan Proceeds, Capital Outlay, Capital Assets – Land and Construction in Progress and Long-term Liabilities - Due in More than One Year – Other Amounts Due in More than One Year were overstated by \$249,999;
- The City received grants and loans from ODOT and OPWC for the same street improvement project. However, expenditures were not consistently classified, as expenditures from the ODOT grant were reported as Transportation and expenditures from the OPWC grant and loan were reported as Capital Outlay. As the project was for capital improvements, all expenditures should have been classified as Capital Outlay. As a result, Capital Outlay expenditures were understated by \$1,451,952 and Transportation expenditures were overstated by the same amount;
- Street Fund estimated revenue for Intergovernmental Revenue and Loan Proceeds were overstated by \$564,439 and \$249,999, respectively. Street Fund appropriations for Capital Outlay were understated by \$1,144,703, and Street Fund appropriations for Transportation were overstated by \$1,451,951;
- The City has a loan from the Ohio Water Development Authority that is paid from the Water Fund. The City under-reported the amount due in 2015 by \$236,010 and overstated the non-current balance of the loan by the same amount;
- During the prior year, fund balance adjustments were made to various City funds to report Income Taxes in the correct funds. The City properly adjusted their accounting system to reflect this. However, while the accounting system and prior year financial statement correctly reflect this, the adjustments were incorrectly reversed on the current financial statements. As a result, differences in Income Taxes and fund balances were as follows:

CITY OF COSHOCTON
COSHOCTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2015-001 (Continued)

Material Weakness (Continued)

- Fire Fund Income Taxes and Fund Balance were understated by \$6,542;
- Fire Capital Improvement Income Taxes and Fund Balance were understated by \$1,919;
- Capital Improvement Income Taxes and Fund Balance were overstated by \$1,309;
- Retirement Payouts fund Income Taxes and Fund Balance were overstated by \$6,280; and,
- Street Debt fund Income Taxes and Fund Balance were overstated by \$872.

Sound financial reporting is the responsibility of the City Auditor and is essential to help ensure the information provided to the readers of the financial statements is complete and accurate. These adjustments and reclassifications, with which management agrees, have been posted to the City's financial statements.

To help ensure the City's financial statements are complete and accurate, the City should adopt policies and procedures to identify and correct errors and omissions in reporting.

Officials' Response: The financial statements of the City of Coshocton are prepared by Julian & Grube. I spoke with a partner of Julian & Grube and was assured that future statements will be reviewed more closely and errors in this report will be addressed. – Sherry Kirkpatrick, Auditor

CITY OF COSHOCTON
COSHOCTON COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Financial Reporting – Various reclassifications and adjustments were required to be made.	Not corrected.	See Schedule of Findings 2015-001.

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Dave Yost • Auditor of State

CITY OF COSHOCTON

COSHOCTON 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 10, 2016