



Dave Yost • Auditor of State

**CITY OF LOGAN
HOCKING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Logan
Hocking County
10 South Mulberry Street
Logan, Ohio 43138

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 Logan, Hocking 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 such 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 opinion.

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 Logan, Hocking County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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 the Schedules of Net Pension Liabilities and Pension Contributions as 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 inquires 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 20, 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 20, 2016

City of Logan, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

The discussion and analysis of the City of Logan'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:

- In total, net position decreased \$277,643. Net position of governmental activities decreased \$1,281 from 2014. Net position of business-type activities also decreased \$276,362 from 2014.
- In total, assets decreased \$84,125. Governmental activities decreased \$101,405; the business-type activities assets increased \$17,280.
- Overall, capital assets decreased \$291,839. Total capital assets of governmental activities decreased \$309,994, or 4 percent. Capital assets of business-type activities increased \$18,155, or .09 percent.
- In total, liabilities increased \$350,310. Total liabilities of governmental activities increased \$51,083. Total liabilities of business-type activities increased \$299,227 from 2014.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City of Logan's financial position.

The statement of net position and the statement of activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

Fund financial statements provide a greater 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. Fund financial statements report the City's most significant funds individually and the City's non-major funds in a single column.

Reporting the City of Logan as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Statement of Net Position and Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the City's net position and changes in those assets. This change in net position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or worsened. Over time, these changes are one indicator of whether the financial position is improving or deteriorating. However, in evaluating the overall position of the City, non-financial information, such as the condition of the City's capital assets and changes in the City's property tax base will also need to be evaluated.

City of Logan, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

- **Governmental Activities** – Most of the City's services are reported here including police, fire, administration, and all departments with the exception of our Water and Sewer Funds.
- **Business-Type Activities** – Water and sewer services have charges based on the amounts of usage. The City charges fees to recoup the cost of the entire operation of our water and sewer treatment plants as well as all capital expenditures associated with these facilities and equipment.

Reporting the City of Logan's Most Significant Funds

Fund Financial Statements

The basic governmental fund financial statements begin on page 16. Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Logan, our major funds are the General Fund and Water and Sewer Enterprise Funds.

Governmental Funds Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled as part of the financial statements.

Proprietary Funds When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

City of Logan, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

THE CITY OF LOGAN AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2015 compared to 2014.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and Other Assets	\$3,191,936	\$2,983,347	\$2,132,532	\$2,133,407	\$5,324,468	\$5,116,754
Capital Assets	7,399,649	7,709,643	20,143,975	20,125,820	27,543,624	27,835,463
<i>Total Assets</i>	<u>10,591,585</u>	<u>10,692,990</u>	<u>22,276,507</u>	<u>22,259,227</u>	<u>32,868,092</u>	<u>32,952,217</u>
Deferred Outflows of Resources						
Pension	551,535	383,695	146,656	125,570	698,191	1,081,886
Liabilities						
Current and Other Liabilities	253,194	234,659	248,673	133,835	501,867	368,494
Long-term Liabilities:						
Due Within One Year	225,525	260,741	316,000	264,076	541,525	524,817
Due in More than One Year:						
Net Pension Liability	4,199,801	3,975,306	882,337	862,408	5,082,138	4,837,714
Other Amounts	603,901	760,632	9,282,522	9,169,986	9,886,423	9,930,618
<i>Total Liabilities</i>	<u>5,282,421</u>	<u>5,231,338</u>	<u>10,729,532</u>	<u>10,430,305</u>	<u>16,011,953</u>	<u>15,661,643</u>
Deferred Inflows of Resources						
Property Taxes	423,063	419,113	0	0	423,063	419,113
Pension	12,683	0	15,501	0	28,184	0
<i>Total Deferred Inflows of Resources</i>	<u>435,746</u>	<u>419,113</u>	<u>15,501</u>	<u>0</u>	<u>451,247</u>	<u>419,113</u>
Net Position						
Net Investment in Capital Assets	6,852,589	7,029,613	10,688,582	10,809,740	17,541,171	17,839,353
Restricted for:						
Perpetual Care:						
Non-Expendable	137,380	137,380	0	0	137,380	137,380
Police	6,668	6,012	0	0	6,668	6,012
Fire	35,960	59,236	0	0	35,960	59,236
Transportation	233,685	237,076	0	0	233,685	237,076
Capital Projects	214,896	212,515	0	0	214,896	212,515
Economic Development	689,537	683,843	0	0	689,537	683,843
Cemeteries	34,931	35,027	0	0	34,931	35,027
Community Environment	621	621	0	0	621	621
Unrestricted	(2,781,314)	(2,975,089)	989,548	1,144,752	(1,791,766)	(1,830,337)
<i>Total Net Position</i>	<u>\$5,424,953</u>	<u>\$5,426,234</u>	<u>\$11,678,130</u>	<u>\$11,954,492</u>	<u>\$17,103,083</u>	<u>\$17,380,726</u>

City of Logan, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," 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 Logan, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

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, from \$9,017,845 to \$5,426,234 for governmental activities and from \$12,691,330 to \$11,954,492 for business-type activities.

For governmental activities, total assets decreased \$101,405 mainly due to decreases in capital assets. Capital assets decreased \$309,994. Long-term liabilities increased \$32,548 from the restated 2014 long-term liabilities due to net pension liability.

For business-type activities, capital assets increased \$18,155. Long-term liabilities increased \$1,161,635 mainly due to net pension liability.

Table 2 reflects the change in net position from the prior year.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for Services	\$346,564	\$428,362	\$3,047,314	\$2,845,358	\$3,393,878	\$3,273,720
Operating Grants and Contributions	766,621	556,229	0	49,500	766,621	605,729
Capital Grants and Contributions	139,559	137,737	0	0	139,559	137,737
Total Program Revenues	1,252,744	1,122,328	3,047,314	2,894,858	4,300,058	4,017,186
General Revenues:						
Property Taxes	461,013	518,584	0	0	461,013	518,584
Income Taxes	3,011,878	2,730,006	0	0	3,011,878	2,730,006
Grants and Entitlements	286,444	264,931	0	0	286,444	264,931
Hotel Tax	31,154	575	0	0	31,154	575
Interest	3,301	7,487	0	0	3,301	7,487
Other	27,692	15,420	7,514	9,810	35,206	25,230
Total General Revenues	3,821,482	3,537,003	7,514	9,810	3,828,996	3,546,813
Total Revenues	5,074,226	4,659,331	3,054,828	2,904,668	8,129,054	7,563,999
Program Expenses						
General Government	695,427	690,789	0	0	0	690,789
Security of Persons and Property:						
Police	1,971,645	1,977,708	0	0	1,971,645	1,977,708
Fire	1,000,637	992,169	0	0	1,000,637	992,169
Transportation	661,985	647,956	0	0	661,985	647,956
Public Health Services	288,704	416,314	0	0		
Leisure Time Activities	77,412	148,039	0	0	77,412	148,039
Community Environment	363,606	134,432	0	0	363,606	134,432
Basic Utility Services	2,149	2,631	0	0	2,149	2,631
Interest and Fiscal Charges	13,942	18,252	0	0	13,942	18,252
Water	0	0	1,459,114	1,465,335	1,459,114	1,465,335
Sewer	0	0	1,872,076	1,526,858	1,872,076	1,526,858
Total Expenses	5,075,507	5,028,290	3,331,190	2,992,193	7,422,566	7,604,169
Change in Net Position	(1,281)	(368,959)	(276,362)	(87,525)	(277,643)	(456,484)
Net Position at Beginning of Year	5,426,234	N/A	11,954,492	N/A	17,380,726	N/A
Net Position at End of Year	\$5,424,953	\$5,426,234	\$11,678,130	\$11,954,492	\$17,103,083	\$17,380,726

City of Logan, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

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 \$383,695 for governmental activities and \$125,570 for business-type activities 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 \$432,461 for governmental activities and \$113,919 for business-type activities. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	\$5,075,507	\$3,331,190	\$8,406,697
Pension expense under GASB 68	(432,461)	(113,919)	(546,380)
2015 contractually required contribution	363,123	99,578	462,701
Adjusted 2015 program expenses	5,006,169	3,316,849	8,323,018
Total 2014 program expenses under GASB 27	5,028,290	2,992,193	8,020,483
Increase in program expenses not related to pension	(\$22,121)	\$324,656	\$302,535

Governmental Activities

Several revenue sources fund our governmental activities, with the City income tax being the biggest contributor. The income tax rate is 1.5 percent. General revenues from property taxes and grants and entitlements, such as local government funds, are also large revenue generators. The City monitors these revenue sources very closely for fluctuations because the income tax, property tax, and intergovernmental revenue represent 79 percent, 12 percent, and 7 percent, respectively, of all general revenues in the governmental activities.

The City continues to work very hard to increase the income tax base by being proactive with new businesses. We are continuing to strive to provide better service to the taxpayers at the lowest cost possible. The ability of the City to continue to provide quality services without income tax increases rests on the City Management's ability to keep costs in line with revenues.

Intergovernmental revenues (operating and capital grants) and contributions accounted for 72 percent of all program revenues. These revenues are not generated from the City's own resources. Such revenues are often unpredictable and accompanied by administrative requirements. The lower this percentage, the better in regards to independence.

Security of persons and property is a major activity of the City, generating over 59 percent of the governmental expenses. During 2015, expenses for police and fire operations amounted to \$1,971,645 and \$1,000,637, respectively. These activities are, for the most part, funded by the municipal income tax and property taxes. The City attempts to supplement the income and activities of the police department to enable the department to widen the scope of its activity. The fire department and its employees continue to work hand in hand with the City to help reduce the costs to the taxpayer.

Transportation activities of the City accounted for 13 percent of governmental expenses.

General government, public health, leisure time activities, community environment, and basic utility service activities account for the remaining 28 percent of governmental expenditures.

City of Logan, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Business-Type Activities

The City's business-type activities are composed of water and sewer operations and are funded almost entirely from charges for services. During 2015, the City collected \$201,956 more in charges for services from the previous year and also spent \$338,997 more.

The City's water and sewer departments continued to operate with low rates. The minimum water and sewer rates are \$13.26 and \$13.22, respectively, for the first 2,000 gallons. Water and sewer rates for two surrounding communities are \$26.25 and \$29.12 for water and \$13.16 and \$34.28 for sewer.

THE CITY'S FUNDS

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$4,980,496 and expenditures of \$4,889,178.

The fund balance of the General Fund increased \$170,326. The General Fund's balance of \$595,671 represented 17 percent of current year expenditures. Most of this balance remains in the City's treasury.

During 2015, the Water Fund had operating revenues of \$1,394,022 and operating expenses of \$1,456,027. The Sewer Fund had operating revenues of \$1,660,806 and operating expenses of \$1,491,625. Water and sewer rates last increased 3 percent on July 1, 2015.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. From time to time during the year, the fund's budget may be amended as needs or conditions change.

During the course of 2015, the City amended its General Fund budget several times, none were significant. All recommendations for a budget change came from the City Auditor to the Finance Committee of Council for review before going to the whole Council for Ordinance enactment on the change. The allocation of appropriations among the objects within a fund may be modified during the year by the City Auditor without an ordinance of Council. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely by looking for possible revenue shortfalls or overspending by individual departments.

For the General Fund, initial budgeted revenues were increased \$55,366. Final budgeted expenditures were increased \$78,550 over the original amount. The City of Logan's ending unencumbered fund cash balance in the General Fund was \$247,638 above the final budgeted amount. This is due to the City continuing to make every reasonable effort to hold costs down and maximize the returns the City receives for the monies that are spent.

City of Logan, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

(Table 3)
 Capital Assets at December 31, 2015
 (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$1,016,036	\$1,016,036	\$216,600	\$216,600	\$1,232,636	\$1,232,636
Construction in Progress	19,812	3,214	11,490	231,062	31,302	234,276
Land Improvements	1,938,016	1,998,052	1,750	1,890	1,939,766	1,999,942
Buildings and Improvements	837,341	876,390	0	0	837,341	876,390
Furniture, Fixtures, and Equipment	534,434	633,676	359,764	371,244	894,198	1,004,920
Vehicles	1,321,140	1,457,891	22,800	30,743	1,343,940	1,488,634
Infrastructure:						
City Streets	1,639,006	1,625,165	0	0	1,639,006	1,625,165
Street Signals	93,864	99,219	0	0	93,864	99,219
Water System	0	0	2,999,194	17,589,928	2,999,194	17,589,928
Sewer System	0	0	16,532,377	1,684,353	16,532,377	1,684,353
Totals	\$7,399,649	\$7,709,643	\$20,143,975	\$20,125,820	\$27,543,624	\$27,835,463

The assets of the City are reported at historical cost, net of depreciation. For additional information on capital assets, see Note 12 to the basic financial statements.

Debt

As of December 31, 2015, and December 31, 2014, the City had total long-term debt of \$10,002,453 and \$9,982,491, respectively, as follows:

(Table 4)
 Outstanding Debt at December 31, 2015

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
OPWC Loans	\$0	\$0	\$488,656	\$4,609	\$488,656	\$4,609
OWDA Loans	0	0	8,904,292	9,223,092	8,904,292	9,223,092
Energy Conservation Bonds	124,684	149,274	62,445	74,760	187,129	224,034
General Obligation Bonds	18,727	38,472	0	0	18,727	38,472
Capital Leases	403,649	492,284	0	0	403,649	492,284
Totals	\$547,060	\$680,030	\$9,455,393	\$9,302,461	\$10,002,453	\$9,982,491

The City's overall legal debt margin was \$11,392,793 at December 31, 2015. For additional information on the City's debt, see Notes 16 and 18 to the basic financial statements.

CURRENT ISSUES

As the preceding information shows, the City depends heavily on its taxpayers and grants and entitlements. Stress on the City's finances is ongoing. However, infrastructure improvements and upgrades are continuing. It is imperative that the City of Logan continues to tighten spending to better bring expenses in line with revenues. The City must carefully watch financial planning if it hopes to remain on firm financial footing.

City of Logan, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

CONTACTING THE CITY AUDITOR'S DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, 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 any questions about this report or need additional financial information, contact Anna T. Lindsay, Logan City Auditor, 10 South Mulberry Street, Logan, Ohio 43138.

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City of Logan, Ohio
Statement of Net Position
December 31, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$863,340	\$1,711,611	\$2,574,951
Investments in Segregated Accounts	137,380	0	137,380
Accrued Interest Receivable	3,470	0	3,470
Intergovernmental Receivable	655,973	440	656,413
Accounts Receivable	16,452	420,481	436,933
Permissive MVL Taxes Receivable	2,524	0	2,524
Hotel Tax Receivable	3,236	0	3,236
Income Taxes Receivable	764,494	0	764,494
Property Taxes Receivable	439,648	0	439,648
Loans Receivable	305,419	0	305,419
Nondepreciable Capital Assets	1,035,848	228,090	1,263,938
Depreciable Capital Assets, Net	6,363,801	19,915,885	26,279,686
<i>Total Assets</i>	<u>10,591,585</u>	<u>22,276,507</u>	<u>32,868,092</u>
Deferred Outflows of Resources			
Pension	551,535	146,656	698,191
Liabilities			
Accounts Payable	66,738	75,701	142,439
Accrued Wages Payable	82,608	24,756	107,364
Accrued Interest Payable	3,096	125,497	128,593
Intergovernmental Payable	94,078	22,719	116,797
Matured Compensated Absences Payable	6,674	0	6,674
Long-Term Liabilities:			
Due within One Year	225,525	316,000	541,525
Due in More than One Year:			
Net Pension Liability (See Note 13)	4,199,801	882,337	5,082,138
Other Amounts Due in More than One Year	603,901	9,282,522	9,886,423
<i>Total Liabilities</i>	<u>5,282,421</u>	<u>10,729,532</u>	<u>16,011,953</u>
Deferred Inflows of Resources			
Property Taxes	423,063	0	423,063
Pension	12,683	15,501	28,184
<i>Total Deferred Inflows of Resources</i>	<u>435,746</u>	<u>15,501</u>	<u>451,247</u>
Net Position			
Net Investment in Capital Assets	6,852,589	10,688,582	17,541,171
Restricted for:			
Perpetual Care:			
Non-Expendable	137,380	0	137,380
Police	6,668	0	6,668
Fire	35,960	0	35,960
Transportation	233,685	0	233,685
Capital Projects	214,896	0	214,896
Economic Development	689,537	0	689,537
Cemeteries	34,931	0	34,931
Community Environment	621	0	621
Unrestricted (Deficit)	(2,781,314)	989,548	(1,791,766)
<i>Total Net Position</i>	<u>\$5,424,953</u>	<u>\$11,678,130</u>	<u>\$17,103,083</u>

See accompanying notes to the basic financial statements.

City of Logan, Ohio
Statement of Activities
For the Year Ended December 31, 2015

	Expenses	Charges for Services	Program Revenues Operating Grants, Contributions, and Interest
Governmental Activities			
General Government	\$695,427	\$45,056	\$0
Security of Persons and Property:			
Police	1,971,645	43,565	112,260
Fire	1,000,637	127,241	13,928
Transportation	661,985	34,855	290,204
Public Health Services	288,704	58,790	65
Leisure Time Activities	77,412	37,057	140
Community Environment	363,606	0	350,024
Basic Utility Services	2,149	0	0
Interest and Fiscal Charges	13,942	0	0
<i>Total Governmental Activities</i>	<u>5,075,507</u>	<u>346,564</u>	<u>766,621</u>
Business-Type Activities			
Water	1,459,114	1,389,482	0
Sewer	1,872,076	1,657,832	0
<i>Total Business-Type Activities</i>	<u>3,331,190</u>	<u>3,047,314</u>	<u>0</u>
<i>Totals</i>	<u><u>\$8,406,697</u></u>	<u><u>\$3,393,878</u></u>	<u><u>\$766,621</u></u>

General Revenues

Property Taxes Levied for:

 General Purposes

 Police

 Fire

Income Taxes Levied for:

 General Purposes

 Capital Improvements

Hotel Tax

Grants and Entitlements not Restricted to Specific Programs

Interest

Other

Total General Revenues

Change in Net Position

Net Position at Beginning of Year - Restated (See Note 3)

Net Position at End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position			
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$3	(\$650,368)	\$0	(\$650,368)
0	(1,815,820)	0	(1,815,820)
0	(859,468)	0	(859,468)
139,556	(197,370)	0	(197,370)
0	(229,849)	0	(229,849)
0	(40,215)	0	(40,215)
0	(13,582)	0	(13,582)
0	(2,149)	0	(2,149)
0	(13,942)	0	(13,942)
139,559	(3,822,763)	0	(3,822,763)
0	0	(69,632)	(69,632)
0	0	(214,244)	(214,244)
0	0	(283,876)	(283,876)
<u>\$139,559</u>	<u>(3,822,763)</u>	<u>(283,876)</u>	<u>(4,106,639)</u>
	173,892	0	173,892
	58,973	0	58,973
	228,148	0	228,148
	2,926,265	0	2,926,265
	85,613	0	85,613
	31,154	0	31,154
	286,444	0	286,444
	3,301	0	3,301
	27,692	7,514	35,206
	<u>3,821,482</u>	<u>7,514</u>	<u>3,828,996</u>
	(1,281)	(276,362)	(277,643)
	<u>5,426,234</u>	<u>11,954,492</u>	<u>17,380,726</u>
	<u>\$5,424,953</u>	<u>\$11,678,130</u>	<u>\$17,103,083</u>

City of Logan, Ohio

Balance Sheet

Governmental Funds

December 31, 2015

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$478,459	\$384,881	\$863,340
Investments in Segregated Accounts	0	137,380	137,380
Receivables:			
Accrued Interest	2,641	829	3,470
Intergovernmental	156,681	499,292	655,973
Accounts	16,452	0	16,452
Permissive MVL Taxes	0	2,524	2,524
Hotel Tax	3,236	0	3,236
Income Taxes	688,044	76,450	764,494
Property Taxes	172,839	266,809	439,648
Loans	0	305,419	305,419
Total Assets	\$1,518,352	\$1,673,584	\$3,191,936
Liabilities			
Accounts Payable	\$59,467	\$7,271	\$66,738
Accrued Wages Payable	73,066	9,542	82,608
Intergovernmental Payable	89,041	5,037	94,078
Matured Compensated Absences Payable	0	6,674	6,674
Total Liabilities	221,574	28,524	250,098
Deferred Inflows of Resources			
Property Taxes	166,306	256,757	423,063
Unavailable Revenue	534,801	529,695	1,064,496
Total Deferred Inflows of Resources	701,107	786,452	1,487,559
Fund Balances			
Nonspendable	0	403,281	403,281
Restricted	0	430,434	430,434
Committed	0	24,893	24,893
Assigned	93,880	0	93,880
Unassigned	501,791	0	501,791
Total Fund Balances	595,671	858,608	1,454,279
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$1,518,352	\$1,673,584	\$3,191,936

See accompanying notes to the basic financial statements.

City of Logan, Ohio
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
December 31, 2015*

Total Governmental Fund Balances	\$1,454,279
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***Amounts reported for governmental activities
in the statement of net position are different
because***

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,399,649
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:

Delinquent Property Taxes	16,585	
Income Taxes	444,348	
Hotel Tax	1,114	
Intergovernmental Revenues	586,147	
Charges for Services	7,828	
Other Revenue	<u>8,474</u>	1,064,496

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	551,535	
Deferred Inflows - Pension	(12,683)	
Net Pension Liability	<u>(4,199,801)</u>	(3,660,949)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Capital Leases Payable	(403,649)	
General Obligation Bonds Payable	(18,727)	
Energy Conservation Bonds Payable	(124,684)	
Accrued Interest Payable	(3,096)	
Compensated Absences Payable	<u>(282,366)</u>	<u>(832,522)</u>

<i>Net Position of Governmental Activities</i>	<u><u>\$5,424,953</u></u>
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See accompanying notes to the basic financial statements.

City of Logan, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$175,781	\$289,882	\$465,663
Income Taxes	2,870,898	79,460	2,950,358
Permissive MVL Taxes	0	34,855	34,855
Hotel Tax	31,154	0	31,154
Intergovernmental	416,175	748,293	1,164,468
Charges for Services	175,183	99,615	274,798
Fines, Licenses, and Permits	35,916	533	36,449
Interest	3,301	92	3,393
Donations	0	140	140
Other	6,949	12,269	19,218
<i>Total Revenues</i>	<u>3,715,357</u>	<u>1,265,139</u>	<u>4,980,496</u>
Expenditures			
Current:			
General Government	576,324	0	576,324
Security of Persons and Property:			
Police	1,886,099	31,845	1,917,944
Fire	590,152	258,550	848,702
Transportation	170,654	340,890	511,544
Public Health Services	270,858	161	271,019
Leisure Time Activities	0	48,131	48,131
Community Environment	11,962	351,644	363,606
Basic Utility Services	2,149	0	2,149
Capital Outlay	0	201,791	201,791
Debt Service:			
Principal Retirement	24,590	108,380	132,970
Interest and Fiscal Charges	6,243	8,755	14,998
<i>Total Expenditures</i>	<u>3,539,031</u>	<u>1,350,147</u>	<u>4,889,178</u>
<i>Excess of Revenues Over(Under) Expenditures</i>	<u>176,326</u>	<u>(85,008)</u>	<u>91,318</u>
Other Financing Sources (Uses)			
Transfers In	0	6,000	6,000
Transfers Out	(6,000)	0	(6,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(6,000)</u>	<u>6,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	170,326	(79,008)	91,318
<i>Fund Balances at Beginning of Year</i>	<u>425,345</u>	<u>937,616</u>	<u>1,362,961</u>
<i>Fund Balances at End of Year</i>	<u><u>\$595,671</u></u>	<u><u>\$858,608</u></u>	<u><u>\$1,454,279</u></u>

See accompanying notes to the basic financial statements.

City of Logan, 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 \$91,318

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 useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

Capital Assets Additions	154,842	
Depreciation Expense	<u>(464,836)</u>	(309,994)

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

Delinquent Property Taxes	(4,650)	
Income Taxes	61,520	
Intergovernmental Revenues	27,924	
Charges for Services	462	
Other Revenue	<u>8,474</u>	93,730

Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 132,970

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, interest is expended when due. 1,056

Some expenses, such as compensated absences, reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 58,977

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows. 363,123

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement Activities. (432,461)

Change in Net Position of Governmental Activities (\$1,281)

See accompanying notes to the basic financial statements.

City of Logan, Ohio
*Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2015*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$168,588	\$181,907	\$175,437	(\$6,470)
Income Taxes	2,693,074	2,707,366	2,802,480	95,114
Hotel Tax	29,938	25,000	31,154	6,154
Intergovernmental	376,187	385,918	391,470	5,552
Charges for Services	170,214	192,180	177,129	(15,051)
Fines, Licenses, and Permits	33,815	34,650	35,189	539
Interest	2,939	3,300	3,058	(242)
Other	6,900	6,700	7,180	480
<i>Total Revenues</i>	<u>3,481,655</u>	<u>3,537,021</u>	<u>3,623,097</u>	<u>86,076</u>
Expenditures				
Current:				
General Government	586,800	599,330	547,645	51,685
Security of Persons and Property:				
Police	1,995,701	2,038,307	1,967,399	70,908
Fire	614,185	627,297	605,475	21,822
Transportation	178,186	181,990	175,659	6,331
Public Health Services	289,427	295,606	285,323	10,283
Community Environment	12,815	13,088	12,633	455
Basic Utilities	2,180	2,226	2,149	77
Debt Service:				
Principal Retirement	24,590	24,590	24,590	0
Interest and Fiscal Charges	6,244	6,244	6,243	1
<i>Total Expenditures</i>	<u>3,710,128</u>	<u>3,788,678</u>	<u>3,627,116</u>	<u>161,562</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(228,473)</u>	<u>(251,657)</u>	<u>(4,019)</u>	<u>247,638</u>
Other Financing Uses				
Transfers Out	(6,000)	(6,000)	(6,000)	0
<i>Net Change in Fund Balance</i>	<u>(234,473)</u>	<u>(257,657)</u>	<u>(10,019)</u>	<u>247,638</u>
<i>Fund Balance at Beginning of Year</i>	287,380	287,380	287,380	0
Prior Year Encumbrances Appropriated	92,605	92,605	92,605	0
<i>Fund Balance at End of Year</i>	<u>\$145,512</u>	<u>\$122,328</u>	<u>\$369,966</u>	<u>\$247,638</u>

See accompanying notes to the basic financial statements.

City of Logan, Ohio
Statement of Fund Net Position
Enterprise Funds
December 31, 2015

	Water	Sewer	Total Enterprise Funds
Assets			
Current:			
Equity in Pooled Cash and Cash Equivalents	\$454,064	\$1,257,547	\$1,711,611
Intergovernmental Receivable	0	440	440
Accounts Receivable	211,886	208,595	420,481
<i>Total Current Assets</i>	<u>665,950</u>	<u>1,466,582</u>	<u>2,132,532</u>
Noncurrent:			
Nondepreciable Capital Assets	95,490	132,600	228,090
Depreciable Capital Assets, Net	3,243,828	16,672,057	19,915,885
<i>Total Noncurrent Assets</i>	<u>3,339,318</u>	<u>16,804,657</u>	<u>20,143,975</u>
<i>Total Assets</i>	<u>4,005,268</u>	<u>18,271,239</u>	<u>22,276,507</u>
Deferred Outflows of Resources			
Pension	87,993	58,663	146,656
Liabilities			
Current:			
Accounts Payable	47,067	28,634	75,701
Accrued Wages Payable	15,477	9,279	24,756
Accrued Interest Payable	203	125,294	125,497
Intergovernmental Payable	11,234	11,485	22,719
General Obligation Bonds Payable	12,848	0	12,848
OWDA Loans Payable	0	217,865	217,865
OPWC Loans Payable	0	16,289	16,289
Compensated Absences Payable	33,737	35,261	68,998
<i>Total Current Liabilities</i>	<u>120,566</u>	<u>444,107</u>	<u>564,673</u>
Long-Term:			
General Obligation Bonds Payable	49,597	0	49,597
OWDA Loans Payable	0	8,686,427	8,686,427
OPWC Loans Payable	0	472,367	472,367
Compensated Absences Payable	30,415	43,716	74,131
Net Pension Liability	529,401	352,936	882,337
<i>Total Long-Term Liabilities</i>	<u>609,413</u>	<u>9,555,446</u>	<u>10,164,859</u>
<i>Total Liabilities</i>	<u>729,979</u>	<u>9,999,553</u>	<u>10,729,532</u>
Deferred Inflows of Resources			
Pension	9,301	6,200	15,501
Net Position			
Net Investment in Capital Assets	3,276,873	7,411,709	10,688,582
Unrestricted	77,108	912,440	989,548
<i>Total Net Position</i>	<u>\$3,353,981</u>	<u>\$8,324,149</u>	<u>\$11,678,130</u>

See accompanying notes to the basic financial statements.

City of Logan, Ohio
*Statement of Revenues, Expenses,
and Changes in Fund Net Position*
Enterprise Funds
For the Year December 31, 2015

	Water	Sewer	Total Enterprise Funds
Operating Revenues			
Charges for Services	\$1,389,482	\$1,657,832	\$3,047,314
Other Operating Revenues	4,540	2,974	7,514
<i>Total Operating Revenues</i>	<u>1,394,022</u>	<u>1,660,806</u>	<u>3,054,828</u>
Operating Expenses			
Salaries and Wages	513,730	415,954	929,684
Fringe Benefits	298,321	231,797	530,118
Contractual Services	278,128	333,307	611,435
Materials and Supplies	217,755	80,782	298,537
Depreciation	147,940	429,785	577,725
Other Operating Expenses	153	0	153
<i>Total Operating Expenses</i>	<u>1,456,027</u>	<u>1,491,625</u>	<u>2,947,652</u>
<i>Operating Income (Loss)</i>	(62,005)	169,181	107,176
Non-Operating (Expenses)			
Interest and Fiscal Charges	(3,087)	(380,451)	(383,538)
<i>Change in Net Position</i>	(65,092)	(211,270)	(276,362)
<i>Net Position at Beginning of Year - Restated (See Note 3)</i>	<u>3,419,073</u>	<u>8,535,419</u>	<u>11,954,492</u>
<i>Net Position at End of Year</i>	<u><u>\$3,353,981</u></u>	<u><u>\$8,324,149</u></u>	<u><u>\$11,678,130</u></u>

See accompanying notes to the basic financial statements.

City of Logan, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2015

	Water	Sewer	Total Enterprise Funds
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$1,404,773	\$1,680,058	\$3,084,831
Cash Payments for Employee Services and Benefits	(798,753)	(649,389)	(1,448,142)
Cash Payments to Suppliers for Goods and Services	(491,380)	(414,796)	(906,176)
Other Operating Revenues	663	171	834
Other Operating Expenses	(153)	0	(153)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>115,150</u>	<u>616,044</u>	<u>731,194</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(116,311)	(479,569)	(595,880)
Proceeds of Loans	0	503,580	503,580
Principal Paid on Debt	(12,315)	(338,333)	(350,648)
Interest Paid on Debt	(3,127)	(255,157)	(258,284)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(131,753)</u>	<u>(569,479)</u>	<u>(701,232)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	(16,603)	46,565	29,962
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>470,667</u>	<u>1,210,982</u>	<u>1,681,649</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$454,064</u></u>	<u><u>\$1,257,547</u></u>	<u><u>\$1,711,611</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
<i>Operating Income (Loss)</i>	(\$62,005)	\$169,181	\$107,176
<i>Adjustments:</i>			
Depreciation	147,940	429,785	577,725
<i>(Increase) Decrease in Assets:</i>			
Accounts Receivable	11,414	19,863	31,277
Intergovernmental Receivable	0	(440)	(440)
(Increase) Decrease in Deferred Outflows - Pension	22,658	15,101	37,759
<i>Increase (Decrease) in Liabilities:</i>			
Accounts Payable	4,503	12,387	16,890
Accrued Wages Payable	(943)	(5,066)	(6,009)
Contracts Payable	0	(13,619)	(13,619)
Intergovernmental Payable	(4,775)	(2,900)	(7,675)
Compensated Absences Payable	10,410	1,118	11,528
Net Pension Liability	(9,761)	(6,505)	(16,266)
Increase (Decrease) in Deferred Inflows - Pension	(4,291)	(2,861)	(7,152)
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$115,150</u></u>	<u><u>\$616,044</u></u>	<u><u>\$731,194</u></u>

See accompanying notes to the basic financial statements.

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City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 1 – Description of City and Reporting Entity

The City of Logan (the “City”) is a municipal corporation operating under the laws of the State of Ohio. In 1838, Logan was incorporated as a village. Logan was declared a city in 1893.

The municipal government is organized as a Mayor/Council form of government. Legislative power is vested in an eight-member council, each member elected to a two-year term. The Mayor and the City Auditor are elected by the citizens of Logan for four-year terms. The Mayor is the chief executive officer and the head of the administrative agencies of the City. He appoints all department heads.

Reporting Entity

The financial reporting entity consists of the primary government, component units, and other governmental organizations included to ensure the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. The City of Logan provides various services including police and fire protection, recreation (including parks), planning and zoning, street maintenance and repair, water and water pollution control, and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process and by the City Auditor and the City Mayor through administrative and managerial requirements and procedures and all are included as part of the reporting entity.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent upon the City in that the City approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government. No separate government units meet the criteria for inclusion as a component unit.

The City participates in four jointly governed organizations. These organizations are presented in Note 11 to the Basic Financial Statements. The organizations are:

Hocking Metropolitan Housing Authority
Hocking County Council on Aging, Incorporated
Hocking County Regional Planning Commission
Buckeye Hills-Hocking Valley Regional Development District

Note 2 – Summary of Significant Accounting Policies

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

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements distinguish between those activities of the City that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges).

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 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 governmental program or business activity is self-financing or draws from the general revenues of the City.

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

B. 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 Fund Types Governmental funds are those through which most governmental functions of the City 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 and deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

General Fund The General Fund accounts for and reports all financial resources not accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service. The City's proprietary funds are all classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. All of the City's enterprise funds are major funds.

Water Fund The Water Fund is used to account for the revenues generated from the charges for distribution of water to the residential and commercial users of the City.

Sewer Fund The Sewer Fund is used to account for the revenues generated from the charges for sanitary sewer services provided to the residential and commercial users of the City.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. There are four categories of fiduciary funds: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equals liabilities) and do not involve measurement of results of operations. The City has no fiduciary funds.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economics resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows associated with the operation of the City are included on the statement of net position. The statement of activities accounts for increases (revenues) and decreases (expenditures) in total 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 and current deferred outflows and current liabilities and current deferred inflows generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports in the sources (revenues and other financing sources) and uses (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. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for the governmental funds.

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

D. 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; proprietary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the 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.

Non-exchange 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. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations are 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 specific purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: municipal income taxes, hotel taxes, permissive motor vehicle and license taxes, charges for services, state-levied locally shared taxes (including gasoline), interest, grants, fees, and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statement of financial position will sometimes 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 include pension reported in the government-wide statement of position. The deferred outflows related to pension are explained in Note 13.

In addition to liabilities, the statement of financial position report will sometimes 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 or resources include property taxes, pension, 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 fiscal year 2016 operations. These amounts have been recorded as a deferred inflow 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 delinquent property taxes, income taxes, hotel tax, charges for services, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 13)

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.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriation resolution is Council's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by Council. The legal level of control has been established by Council at the fund and within each department personal services level. The City Auditor has been authorized to allocate appropriations to the function and object level within each department, except for personal services which must be approved by City Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate in effect when final appropriations for the year were adopted by Council.

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool, except for the Cemetery Trust Endowment Permanent Fund which is invested separately. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2015, investments were limited to STAR Ohio and certificates of deposit. Certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold for on December 31, 2015.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest is credited to the General Fund, the Capital Improvements Capital Projects Fund, and the Cemetery Special Revenue Fund. Interest revenue credited to the General Fund during 2015 amounted to \$3,301, which includes \$2,686 assigned from other City funds.

The Cemetery Endowment Permanent Fund certificate of deposit is reflected as "Investments in Segregated Accounts."

On the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an original maturity of more than three months not purchased from the pool are reported as investments.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

G. Loans Receivable

“Loans receivable” consists of low interest loans for development projects granted to eligible businesses and homeowners under the Federal Economic Development Assistance and the Community Block Grant Programs. The City administers a deferred loan program where a portion of the loan is forgiven in equal installments if the homeowners adhere to the loan guidelines. The portion of the loan receivable that may be forgiven is reported as nonspendable fund balance.

H. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital 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 enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market value as of the date received. The City maintains a capitalization threshold of five hundred dollars. The City’s infrastructure consists of U.S. and State roads, City streets, street signals, and water and sewer systems. 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 phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All 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:

Land Improvements	15 - 50 Years
Buildings and Improvements	40 - 50 Years
Furniture, Fixtures, and Equipment	5 - 15 Years
Vehicles	5 - 15 Years
Infrastructure	15 - 40 Years

All infrastructure of the City has been reported, including infrastructure acquired or constructed prior to 1980.

I. Compensated Absences

The City accrues vacation benefits 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. The City records a liability for accumulated unused vacation time when earned for all employees who have worked beyond their one year probationary period.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated, unused sick leave for all City employees with at least fifteen years of service.

On governmental fund financial statements, compensated absences are recognized as a liability 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, "Matured Compensated Absences Payable" in the fund from which the employees will be paid. The remaining portion of the liability is not reported.

J. Fund Balance

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

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

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

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

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

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

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

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

K. Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

L. Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. 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, compensated absences, and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and capital leases are recognized as a liability on the governmental fund financial statements when due.

M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N. Net Position

Net position represents the difference of all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

O. 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.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sewer and water utilities. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting the definition are reported as nonoperating.

Q. 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 City Council and that are either unusual in nature or infrequent in occurrence.

Note 3 – Change in Accounting Principle and Restatement of Net Position

For 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	Governmental Activities	Business -Type Activities
Net position December 31, 2014	\$9,017,845	\$12,691,330
Adjustments:		
Net Pension Liability	(3,975,306)	(862,408)
Deferred Outflow - Payments Subsequent to Measurement Date	383,695	125,570
Restated Net Position December 31, 2014	\$5,426,234	\$11,954,492

	Water Fund	Sewer Fund	Total Enterprise
Net position December 31, 2014	\$3,861,176	\$8,830,154	\$12,691,330
Adjustments:			
Net Pension Liability	(517,445)	(344,963)	(862,408)
Deferred Outflow - Payments Subsequent to Measurement Date	75,342	50,228	125,570
Restated Net Position December 31, 2014	\$3,419,073	\$8,535,419	\$11,954,492

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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.

Note 4 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

Fund Balances	General	Other Governmental	Total
Nonspendable:			
Loans	\$0	\$265,901	\$265,901
Endowments	0	137,380	137,380
<i>Total Nonspendable</i>	<u>0</u>	<u>403,281</u>	<u>403,281</u>
Restricted for:			
Street Improvements	0	142,000	142,000
Law Enforcement	0	3,671	3,671
Fire Protection	0	11,387	11,387
Parks and Recreation	0	17,693	17,693
Community Development	0	51,487	51,487
Cemeteries	0	34,931	34,931
Capital Improvements	0	169,265	169,265
<i>Total Restricted</i>	<u>0</u>	<u>430,434</u>	<u>430,434</u>
Committed for:			
Fire Equipment	0	10,840	10,840
Parks and Recreation	0	14,053	14,053
<i>Total Committed</i>	<u>0</u>	<u>24,893</u>	<u>24,893</u>
Assigned to:			
Other Purposes	93,880	0	93,880
Unassigned:	501,791	0	501,791
<i>Total Fund Balances</i>	<u>\$595,671</u>	<u>\$858,608</u>	<u>\$1,454,279</u>

Note 5 – Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP Basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) presented for the General Fund is prepared 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:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed, or assigned fund balance (GAAP).
4. Unrecorded items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis are as follows:

Net Change in Fund Balance	
	General
GAAP Basis	\$170,326
Revenue Accruals	(92,245)
Expenditure Accruals	20,393
Unreported Items:	
End of Year	(15)
Encumbrances	(108,478)
Budget Basis	(\$10,019)

Note 6 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

City of Logan, Ohio
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For the Year Ended December 31, 2015

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, 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. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions.

Cash on Hand At year end, the City had \$6,145 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the City's deposits was \$2,706,185 and the bank balance was \$2,857,706. Of the bank balance, \$750,015 was covered by Federal depository insurance and \$2,107,691 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments As of December 31, 2015, the City's investment in STAR Ohio had an average maturity of 49.4 days and a fair value of \$125,957. The City has no investment policy beyond State statute that requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and that an investment must be purchased with the expectation that it will be held to maturity.

City of Logan, Ohio
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Credit Risk STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard setting service. The City has no investment policy that would further limit its investment choices other than what has been approved by State statute.

Note 7 – Receivables

Receivables at December 31, 2015, consisted of municipal income taxes, property taxes, accounts (billings for user fees including unbilled utility services), permissive motor vehicle license taxes, hotel tax, loans, intergovernmental receivables arising from entitlements and shared revenues, and accrued interest on investments. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes become a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2015, was \$4.90 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

Real Property	\$103,574,700
Public Utility Real Property	<u>5,106,440</u>
Total Assessed Value	<u><u>\$108,681,140</u></u>

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

Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which are measurable as of December 31, 2015, and for which there is an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance current year operations is offset to deferred inflows of resources – property taxes. On the accrual basis, delinquent collectible property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

B. Income Taxes

The City levies a municipal income tax of 1.50 percent on substantially all earned income arising from employment, residency, or business activities within the City as well as income of residents earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to the full amount of the tax owed.

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

Income tax proceeds are to be used for the purposes of general municipal operations, aquatic center operations, maintenance, new equipment, extension and enlargement of municipal services and facilities, and capital improvements of the City of Logan.

C. Intergovernmental Receivable

A summary of intergovernmental receivables follows:

Governmental Activities:		
Local Government	\$106,192	
Homestead and Rollback	28,980	
Gasoline Tax	98,321	
Motor Vehicle License Tax	27,180	
State Electric Light	11,964	
School Resource Officer Grant	25,596	
Community Development Block Grants	355,077	
Miscellaneous	2,663	
	655,973	
Total Governmental Activities		655,973
 Business-Type Activities:		
Miscellaneous	440	
	440	
Total Intergovernmental Receivables		\$656,413

Note 8 – Contractual Commitments

As of December 31, 2015, the City had contractual commitments as follows:

Project	Fund	Contract Amount	Amount Expended	Balance at 12/31/2015
Design and Engineering Water Treatment Plant	Water	\$739,610	\$0	\$739,610
Phase II Sanitary Sewer	Sewer	115,000	0	115,000
Totals		\$854,610	\$0	\$854,610

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 9 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City contracts with Wichert Insurance Services for the following coverage:

Property and Liability	Deductible	Limits of Coverage
Buildings and Contents	\$5,000	\$30,595,818
Boiler and Machinery		4,000,000
Employee Dishonesty		250,000
Crime Insurance		10,000
Employee Benefits Liability	1,000	1,000,000
Employer's Liability Stop-Gap		1,000,000
Law Enforcement Liability	10,000	1,000,000
Public Officials Liability	10,000	1,000,000
Umbrella Coverage		1,000,000
Vehicles:		
Automobile Liability		1,000,000
Uninsured Motorist		1,000,000
General Liability Per Occurrence		1,000,000
General Liability Aggregate Limit		2,000,000
Garage Keeper		60,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in insurance coverage from last year.

Note 10 – Interfund Balances and Transfers

The General Fund made a \$6,000 transfer to the Recreation Special Revenue Fund. This transfer was used to move unrestricted revenue collected in the General Fund to finance this program accounted for in the other fund in accordance with budgetary authorizations. The transfer was made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Note 11 – Jointly Governed Organizations

A. Hocking Metropolitan Housing Authority

The Hocking Metropolitan Housing Authority is an organization established to provide adequate public housing for low income individuals and was created pursuant to State statues. The Authority is operated by a five member board. Two members are appointed by the Mayor of the City of Logan, one member is appointed by the probate court judge, one member is appointed by the common pleas court judge, and one member is appointed by Hocking County Commissioners. The Authority receives funding from the Federal Department of Housing and Urban Development. The board sets its own budget and selects its own management, and the City is not involved in the management or operation. The City is not financially accountable for the Authority.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

B. Hocking County Council on Aging, Incorporated

The Hocking County Council on Aging is a non-profit organization that has an objective of assisting elderly citizens with needs, problems, and opportunities. The Council is governed by a sixteen member board of directors. Board members include representatives from the Hocking County Commissioners, local government units, and agencies including the City of Logan and local organizations. One-third of the members are elderly residents. The board has total control over budgeting, personnel, and all other financial matters. The continued existence of the Council is not dependent on the City's continued participation and no equity interest exists. The Council has no outstanding debt.

C. Hocking County Regional Planning Commission

The City participates in the Hocking County Regional Planning Commission, which is a statutorily created political subdivision of the State. The Commission is governed by a nine member board composed of the Mayor of the City of Logan, the three Hocking County Commissioners, the County Engineer, the County Sanitarian, and three individuals from the public sector. Each member's control over the operation of the Commission is limited to its representation of the board. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of Hocking County. In 2015, the City did not contribute any money to the Commission. Continued existence is not dependent on the City's continued participation, no equity interest exists, and no debt is outstanding.

D. Buckeye Hills-Hocking Valley Regional Development District

The Buckeye Hills-Hocking Valley Regional Development District serves Hocking, Athens, Meigs, Monroe, Washington, Morgan, Noble, and Perry Counties. The District was created to foster a cooperative effort in regional planning, programming, and implementing plans and programs. The District is governed by a general policy council which is composed of the mayor of each city and county seat and one county commissioner from each county maintaining membership which is 2/3 of the council and the remaining 1/3 shall be composed of private citizens. The Mayor of Logan serves on this council. The council approves the budget, memberships, by-laws, plans, policy statements, service programs, and actions of the executive committee. The fifteen member executive committee is composed of one County Commissioner from each County, one member from the City of Athens, one member from the City of Marietta, four at large members appointed from the ten government members, and one member from the minority sector. The committee's duties include recommending the budget, by-law amendments, plans, policy statements, and service programs to the council. The committee acts on behalf of the council between council sessions.

The District administers County Community Development Block Grant and Issue II monies. The continued existence of the District is not dependent on the City's continued participation and no equity interest exists. In 2015 the City paid a \$75 administrative fee to the District.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 12 – Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Balance at 12/31/14	Additions	Deductions	Balance at 12/31/15
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$1,016,036	\$0	\$0	\$1,016,036
Construction in Progress	3,214	19,812	3,214	19,812
Total Non-Depreciable Capital Assets	1,019,250	19,812	3,214	1,035,848
Depreciable Capital Assets:				
Land Improvements	4,213,723	9,715	0	4,223,438
Buildings and Improvements	1,843,212	0	0	1,843,212
Furniture, Fixtures, and Equipment	2,509,140	0	2,167	2,506,973
Vehicles	3,172,008	5,345	0	3,177,353
City Streets	7,907,992	123,184	0	8,031,176
Street Signals	895,038	0	0	895,038
Total Depreciable Capital Assets	20,541,113	138,244	2,167	20,677,190
Less Accumulated Depreciation:				
Land Improvements	(2,215,671)	(69,751)	0	(2,285,422)
Buildings and Improvements	(966,822)	(39,049)	0	(1,005,871)
Furniture, Fixtures, and Equipment	(1,875,464)	(99,242)	(2,167)	(1,972,539)
Vehicles	(1,714,117)	(142,096)	0	(1,856,213)
City Streets	(6,282,827)	(109,343)	0	(6,392,170)
Street Signals	(795,819)	(5,355)	0	(801,174)
Total Accumulated Depreciation	(13,850,720)	(464,836) *	(2,167)	(14,313,389)
Total Capital Assets being Depreciated, Net	6,690,393	(326,592)	0	6,363,801
Governmental Activities Capital Assets, Net	\$7,709,643	(\$306,780)	\$3,214	\$7,399,649

*Depreciation expense was charged to governmental programs as follows:

General Government	\$64,834
Security of Persons and Property:	
Police	61,402
Fire	119,569
Transportation	174,347
Public Health Services	15,708
Leisure Time Activities	28,976
Total Depreciation Expense	\$464,836

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

	Balance at 12/31/14	Additions	Deductions	Balance at 12/31/15
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$216,600	\$0	\$0	\$216,600
Construction in Progress	231,062	489,564	709,136	11,490
Total Capital Assets not being Depreciated	<u>447,662</u>	<u>489,564</u>	<u>709,136</u>	<u>228,090</u>
Depreciable Capital Assets:				
Land Improvements	63,268	0	0	63,268
Furniture, Fixtures, and Equipment	1,229,607	50,046	0	1,279,653
Vehicles	254,027	0	0	254,027
Infrastructure	27,283,353	765,406	0	28,048,759
Total Capital Assets being Depreciated	<u>28,830,255</u>	<u>815,452</u>	<u>0</u>	<u>29,645,707</u>
Less Accumulated Depreciation:				
Land Improvements	(61,378)	(140)	0	(61,518)
Furniture, Fixtures, and Equipment	(858,363)	(61,526)	0	(919,889)
Vehicles	(223,284)	(7,943)	0	(231,227)
Infrastructure	(8,009,072)	(508,116)	0	(8,517,188)
Total Accumulated Depreciation	<u>(9,152,097)</u>	<u>(577,725)</u>	<u>0</u>	<u>(9,729,822)</u>
Total Capital Assets being Depreciated, Net	<u>19,678,158</u>	<u>237,727</u>	<u>0</u>	<u>19,915,885</u>
Business-Type Activities Capital Assets, Net	<u>\$20,125,820</u>	<u>\$727,291</u>	<u>\$709,136</u>	<u>\$20,143,975</u>

Note 13 – Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
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 Logan, Ohio
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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
	14.0 %
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 was \$181,049 for 2015. Of this amount, \$19,303 is reported as an intergovernmental payable.

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

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

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

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

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

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

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

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

	Police	Firefighters
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	0.50	0.50
Total 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 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$281,652 for 2015. Of this amount \$30,318, is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 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	\$1,604,250	\$3,477,888	\$5,082,138
Proportion of the Net Pension Liability	0.013301%	0.0671353%	
Pension Expense	\$207,128	\$339,252	\$546,380

City of Logan, Ohio
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At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$85,598	\$149,894	\$235,492
City contributions subsequent to the measurement date	181,049	281,652	462,701
Total Deferred Outflows of Resources	<u>\$266,647</u>	<u>\$431,546</u>	<u>\$698,193</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	<u>\$28,184</u>	<u>\$0</u>	<u>\$28,184</u>

Reported deferred outflows of resources of \$462,701 related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2016	\$8,396	\$37,473	\$45,869
2017	8,396	37,473	45,869
2018	19,224	37,474	56,698
2019	21,399	37,474	58,873
Total	<u>\$57,415</u>	<u>\$149,894</u>	<u>\$207,309</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 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

City of Logan, Ohio
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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.

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 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	100.00 %	5.28 %

Discount Rate The discount rate used to measure the total pension liability was 8 percent. 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.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$2,951,359	\$1,604,250	\$469,658

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. 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:

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
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	120.00 %	

* 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	\$4,810,446	\$3,477,888	\$2,349,617

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 14 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits in 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 post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

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

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.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 post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, state and local employers contributed at a rate of 14.0 percent of covered payroll. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contribution allocated to health care for members in both the Traditional and Combined Plans was 2.0 percent for 2015.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013, were \$30,175, \$31,776, and \$18,299, respectively. For 2015, 85.71 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

B. Police and Fire Pension Fund

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's 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 by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2015, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees 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 health care benefits for police and firefighters \$4,180 and \$2,613 for the year ended December 31, 2015, \$4,350 and \$2,576 for the year ended December 31, 2014, and \$20,972 and \$12,958 for the year ended December 31, 2013. For 2015, 92 percent has been contributed for police and 91.40 percent has been contributed for firefighters with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 15 – Employee Benefits

A. Insurance

In 2015, the City contracted with Standard Insurance Company to provide all employees with \$25,000 each in life and accidental death and dismemberment insurance.

The City provides comprehensive major medical insurance through United Healthcare. The City had no employees participating in the single coverage higher deductible and co-pay plan during 2015. Monthly premium for single lower deductible and co-pay was \$648.27, with the City paying \$623.36 of the premium. The monthly premium for family lower deductible and co-pay was \$1,685.49. The City pays \$1,585.49 of the premium for employees participating in the family lower deductible and co-pay plans with the remainder being paid by the employees. Monthly premiums for the higher deductible and co-pay plan are \$2,000.10 for family coverage. The City pays premiums for employees participating in the family higher deductible and co-pay plans with the remainder being paid by the employees as follows:

Ohio Patrolmen's Benevolent Association (OPBA) Employees	\$1,720.34
OAPSE/AFSCME/AFL-CIO Employees	\$1,760.36
International Association of Fire Fighters (IAFF) and all other non-negotiating employees	\$1,580.32

B. Compensated Absences

The criteria for determining vested sick leave benefits are derived from negotiated agreements and State laws. Upon retirement, all employees with ten or more years of service with the City are paid twenty-five percent of their sick leave up to a maximum accumulation of 480 hours. Upon voluntary termination, death or retirement, all employees will receive 100% of vacation earned and not previously taken.

Note 16 – Capital Leases – Lessee Disclosure

In previous years, the City had entered into capitalized lease agreements for fire rescue equipment and a fire truck. The leases meet the criteria of a capital lease which is defined as a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the fund financial statements. Principal payments made in 2015 totaled \$88,635 in the governmental funds. The capital leases payable have been recorded on the government-wide statements. The agreement provides for minimum annual lease payments as follows:

Fiscal Year	Amount
2016	\$96,135
2017	96,135
2018	96,135
2019	87,734
2020	43,867
Total Minimum Lease Payments	420,006
Less: Amount Representing Interest	(16,357)
Present Value of Net Minimum Lease Payments	\$403,649

The equipment has been capitalized in the amount of \$677,351, the present value of the minimum lease payments at the inception of the lease. The accumulated depreciation as of December 31, 2015, was \$147,701, leaving a remaining book value of \$529,650.

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 17 – Contingent Liabilities

A. Grants

For the period January 1, 2015, to December 31, 2015, the City received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

B. Litigation

As of December 31, 2015, the City is a party in two lawsuits with an additional lawsuit filed in July, 2016. The City has determined that any potential liability will not have a material effect on the financial statements.

Note 18 – Long-Term Obligations

A schedule of changes in long-term obligations of the City during 2015 follows:

	Principal Outstanding 12/31/14	Additions	Deductions	Principal Outstanding 12/31/15	Amounts Due in One Year
Governmental Activities:					
2010 Energy Conservation General					
Obligation Bonds - 4.375%	\$149,274	\$0	\$24,590	\$124,684	\$25,654
2011 General Obligation Bonds - 3.289%	38,472	0	19,745	18,727	18,727
Capital Leases	492,284	0	88,635	403,649	90,012
Net Pension Liability:					
OPERS	705,607	16,306	0	721,913	0
OP&F	3,269,699	208,189	0	3,477,888	0
Total Net Pension Liability	3,975,306	224,495	0	4,199,801	0
Compensated Absences	341,343	36,834	95,811	282,366	91,132
Total Governmental Activities	<u>\$4,996,679</u>	<u>\$261,329</u>	<u>\$228,781</u>	<u>\$5,029,227</u>	<u>\$225,525</u>
Business-Type Activities:					
2010 Energy Conservation General					
Obligation Bonds - 4.375%	\$74,760	\$0	\$12,315	\$62,445	\$12,848
2011 OWDA Sewer Plant Improvements					
Loan - 4.95%	8,943,063	0	211,744	8,731,319	217,865
2013 OWDA Sanitary Sewer Evaluation					
Loan - 3.84%	280,029	19,112	126,589	172,552	0
2015 OWDA Phase 2 Sanitary Sewer Design					
Loan - 3.42%	0	421	0	421	0
2014 OPWC Sanitary Sewer Evaluation					
Survey Loan - 0%	4,609	484,047	0	488,656	16,289
Total Loans Payable	9,227,701	503,580	338,333	9,392,948	234,154
Net Pension Liability- OPERS	862,408	19,929	0	882,337	0
Compensated Absences	131,601	19,920	8,392	143,129	68,998
Total Business-Type Activities	<u>\$10,296,470</u>	<u>\$543,429</u>	<u>\$359,040</u>	<u>\$10,480,859</u>	<u>\$316,000</u>

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, the Street Construction and Maintenance Special Revenue Fund, and the Water and Sewer Enterprise Funds. Capital lease obligations are paid from general property tax revenues from the Fire Levy Special Revenue Fund and charges for services revenue from the Fire Equipment Capital Projects Fund. The City pays obligations related to employee compensation from the fund benefitting from their service.

In June 2010, the City issued Energy Conservation General Obligation Bonds in the amount of \$371,468 at an interest rate of 4.375%. Principal and interest payments are due in June and December of each year through 2020. These bonds were issued for the purpose of energy conservation measures which included the purchase of high efficiency HVAC systems, the retrofitting of street lights and traffic signals with lower energy bulbs, and mechanical upgrades at the City Hall, Fire Department, Police Department, and Water Distribution facilities. The bonds will be retired from the General Fund and the Water Enterprise Fund.

Principal and interest requirements to retire the General Fund's portion of the energy conservation general obligation bonds outstanding at December 31, 2015, are as follows:

Year Ended December 31,	Principal	Interest	Total
2016	\$25,654	\$5,179	\$30,833
2017	26,789	4,044	30,833
2018	27,973	2,859	30,832
2019	29,211	1,622	30,833
2020	15,057	330	15,387
	<u>\$124,684</u>	<u>\$14,034</u>	<u>\$138,718</u>

Principal and interest requirements to retire the Water Enterprise Fund's portion of the energy conservation general obligation bonds outstanding at December 31, 2015, are as follows:

Year Ended December 31,	Principal	Interest	Total
2016	\$12,848	\$2,594	\$15,442
2017	13,416	2,025	15,441
2018	14,010	1,432	15,442
2019	14,629	812	15,441
2020	7,542	165	7,707
	<u>\$62,445</u>	<u>\$7,028</u>	<u>\$69,473</u>

In March 2011, the City issued General Obligation Bonds in the amount of \$93,990 at an interest rate of 3.289%. Principal and interest payments are due in March of each year through 2016. These bonds were issued for the purpose of purchasing an energy efficient street sweeper. The bonds will be retired from the Capital Improvements Capital Projects Fund.

Principal and interest requirements to retire the general obligation bonds outstanding at December 31, 2015, are as follows:

Year Ended December 31,	Principal	Interest	Total
2016	\$18,727	\$976	\$19,703

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The 2011 OWDA Sewer Improvements Plant Loan, authorized in the amount of \$9,348,873, is being used to finance sewer line extension and improvements. The loan activity is reflected in the Sewer Enterprise Fund which received the proceeds and will repay the debt. Principal and interest payments are due in January and July of each year through 2042.

Principal and interest requirements to retire the Sewer Improvement Plant Loan outstanding at December 31, 2015, are as follows:

Year Ended December 31,	Principal	Interest	Total
2016	\$217,865	\$249,036	\$466,901
2017	224,163	242,739	466,902
2018	230,643	236,259	466,902
2019	237,309	229,593	466,902
2020	244,169	222,733	466,902
2021 - 2025	1,330,883	1,003,626	2,334,509
2026 - 2030	1,534,680	799,829	2,334,509
2031 - 2035	1,769,686	564,823	2,334,509
2036 - 2040	2,040,680	293,829	2,334,509
2041 - 2042	901,241	32,564	933,805
	<u>\$8,731,319</u>	<u>\$3,875,031</u>	<u>\$12,606,350</u>

The 2013 OWDA Sanitary Sewer Evaluation Loan, authorized in the amount of \$300,000, is being used to finance a sanitation sewer study. The loan activity is reflected in the Sewer Enterprise Fund which received the proceeds and will repay the debt. The loan has not been fully drawn down and no amortization schedule has been established.

The 2015 OWDA Sanitary Sewer Phase 2 Design Loan, authorized in the amount of \$120,000, is being used to finance phase 2 of the sanitation sewer project. The loan activity is reflected in the Sewer Enterprise Fund which received the proceeds and will repay the debt. The loan has not been fully drawn down and no amortization schedule has been established.

The City has pledged future sewer customer revenues to repay the OWDA loans. The loans are payable solely from net revenues. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. The total principal and interest remaining to be paid on the loans are unknown at this time since the Sewer Improvement Plant loan and Sanitary Sewer Evaluation loans are not fully drawn out. Principal and interest payments for the current year were \$593,490, net revenues were \$598,966, and total revenues were \$1,660,806.

The 2014 OPWC Sanitary Sewer Evaluation Loan, authorized in the amount of \$488,656 at 0% interest, was issued to finance a sanitary sewer project. The loan activity is reflected in the Sewer Enterprise Fund which received the proceeds and will repay the debt. Principal payments are due in January and July of each year through 2045.

Principal and interest requirements to retire the Sanitary Sewer Evaluation Loan outstanding at December 31, 2015, are as follows:

City of Logan, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Year Ended December 31,	Principal
2016	\$16,289
2017	16,289
2018	16,289
2019	16,289
2020	16,289
2021 - 2025	81,442
2026 - 2030	81,442
2031 - 2035	81,442
2036 - 2040	81,442
2041 - 2045	81,443
	<u>\$488,656</u>

The City's overall legal debt margin was \$11,392,793 at December 31, 2015.

Note 19 – Significant Commitments

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	\$108,478
Capital Improvements	9,215
Nonmajor Governmental Funds	9,800
Water Fund	51,120
Sewer Fund	<u>39,547</u>
Total	<u>\$218,160</u>

City of Logan, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Two Years (1)

	2014	2013
City's Proportion of the Net Pension Liability	0.0133010%	0.0133010%
City's Proportionate Share of the Net Pension Liability	\$1,604,250	\$1,568,015
City's Covered-Employee Payroll	\$1,902,567	\$1,197,027
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	84.32%	130.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

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

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

	2014	2013
City's Proportion of the Net Pension Liability	0.0671353%	0.0671353%
City's Proportionate Share of the Net Pension Liability	\$3,477,888	\$3,269,699
City's Covered-Employee Payroll	\$1,358,137	\$1,243,117
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	256.08%	263.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%

(1) Information prior to 2013 is not available.

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

City of Logan, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$181,049	\$228,308	\$155,613
Contributions in Relation to the Contractually Required Contribution	<u>(181,049)</u>	<u>(228,308)</u>	<u>(155,613)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,508,736	\$1,902,567	\$1,197,027
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

City of Logan, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$281,652	\$280,957	\$218,678	\$177,431
Contributions in Relation to the Contractually Required Contribution	<u>(281,652)</u>	<u>(280,957)</u>	<u>(218,678)</u>	<u>(177,431)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,358,608	\$1,358,137	\$1,243,117	\$1,229,040
Contributions as a Percentage of Covered-Employee Payroll:	20.73%	20.69%	17.59%	14.44%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$165,673	\$158,256	\$169,524	\$159,672	\$172,379	\$165,355
<u>(165,673)</u>	<u>(158,256)</u>	<u>(169,524)</u>	<u>(159,672)</u>	<u>(172,379)</u>	<u>(165,355)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,158,177	\$1,094,721	\$1,163,220	\$1,091,922	\$1,188,194	\$1,232,469
14.30%	14.46%	14.57%	14.62%	14.51%	13.42%

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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 Logan
Hocking County
10 South Mulberry Street
Logan, Ohio 43138

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 Logan, Hocking 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 20, 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2015-001.

Entity'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 Village'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 20, 2016

CITY OF LOGAN
HOCKING COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015

FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2015-001

Noncompliance

Ohio Rev. Code § 735.05 provides that, when an expenditure within the department, other than the compensation of persons employed in the department, exceeds fifty thousand dollars, the expenditure shall first be authorized and directed by ordinance of the city legislative authority.

Further, Ohio Rev. Code § 705.11 provides that no contract with the municipal corporation shall take effect until the approval of the village solicitor or city director of law is indorsed thereon.

Ohio Rev. Code §§ 153.65 through 153.71 require contracts for professional design services for municipalities must publicly announce and provide notice of the contract, rank firms on the basis of qualifications, and award the contract to the most qualified firm.

The City entered into two contracts in September 2015 for the Water Treatment Plant in the amount of \$739,610 and for Sanitary Sewer Improvements Phase II in the amount of \$115,000. These contracts were not approved by Council until March 2016. Furthermore, neither contract was approved by the Law Director as required. Both contracts were for design and engineering, and were, therefore, not required to be bid; however, they were required to be publicly announced and firms ranked based on qualifications. The City failed to comply with this requirement. Failure to follow Ohio Rev. Code requirements could lead to the City entering unlawful contacts.

The City should follow all Ohio Rev. Code requirements concerning contracts.

Official's Response: During the Council Meeting on September 27, 2016, the Law Director addressed the Mayor, Service Director, Auditor, Treasurer and Council on the proper ORC procedures pertaining to contracts for professional design services. The Law Director directed the Mayor and Service Director to publicly announce contracts over \$50,000. The firms responding to the announcement will be ranked by the Mayor and Service Director and awarded to the firm with the highest qualifications. The contract must be approved by the Law Director and City Council before it becomes effective. The Mayor and the Service Director will be working closely with the Law Director and Council on future contracts.

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Dave Yost • Auditor of State

CITY OF LOGAN

HOCKING 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