



**CITY OF NELSONVILLE, OHIO**

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**REGULAR AUDIT**

**For the Year Ended December 31, 2015**

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS







# Dave Yost • Auditor of State

City Council  
City of Nelsonville  
211 Lake Hope Drive  
Nelsonville, Ohio 45764

We have reviewed the *Independent Auditor's Report* of the City of Nelsonville, Athens County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

October 31, 2016

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**CITY OF NELSONVILLE**  
**ATHENS COUNTY, OHIO**  
*Table of Contents*  
*For the Year Ended December 31, 2015*

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Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	3
<b>Basic Financial Statements:</b>	
<u>Government-wide Financial Statements:</u>	
Statement of Net Position.....	11
Statement of Activities.....	12
<u>Fund Financial Statements:</u>	
Balance Sheet - Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)	
General Fund.....	18
Street Levy Fund.....	19
Statement of Fund Net Position - Enterprise Funds .....	20
Statement of Revenues, Expenses and Changes in Net Position - Enterprise Funds.....	21
Statement of Cash Flows - Enterprise Funds.....	22
Statement of Fiduciary Assets and Liabilities - Agency Fund.....	23
Notes to the Basic Financial Statements.....	24
<b>Required Supplemental Schedules:</b>	
Schedule of the City's Proportionate Share of the Net Pension Liability	
OPERS – Traditional Plan – Last Two Fiscal Years .....	59
Ohio Police and Fire Pension Fund – Last Two Fiscal Years .....	60

**CITY OF NELSONVILLE**  
**ATHENS COUNTY, OHIO**  
*Table of Contents*  
*For the Year Ended December 31, 2015*

---

Schedule of City Contributions	
OPERS – Traditional Plan – Last Three Fiscal Years .....	61
Ohio Police and Fire Pension Fund – Last Ten Fiscal Years.....	62

**Audit Report:**

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	64
Schedule of Findings .....	66
Schedule of Prior Audit Findings .....	67

## Independent Auditor's Report

City of Nelsonville  
Athens County  
211 Lake Hope Drive  
Nelsonville, Ohio 45764

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Nelsonville, Athens 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 the preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the designing, implementing, and maintaining internal control relevant to the 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, whether due to fraud or error. In assessing those risk, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

***Opinions***

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

***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 on pages 3-10 and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated August 24, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. The 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.

***J. L. Uhrig and Associates, Inc.***

J. L. UHRIG AND ASSOCIATES, INC.  
Chillicothe, Ohio

August 24, 2016



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

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The discussion and analysis of the City of Nelsonville's 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 fiscal year 2015 are as follows:**

- In total, net position decreased \$1,550,436. Net position of governmental activities decreased \$1,087,971, or 9.0 percent from 2014. Net position of business-type activities decreased \$462,465, or 9.8 percent from 2014.
- In total, assets decreased \$1,858,536. Governmental activities assets decreased \$1,126,509, while the business-type activities assets decreased \$732,027.
- Overall, capital assets decreased \$820,717. Total capital assets of governmental activities decreased \$471,698. Capital assets of business-type activities decreased \$349,019.
- In total, liabilities decreased \$168,604. Total liabilities of governmental activities increased \$75,562. Total liabilities of business-type activities decreased \$244,166 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 Nelsonville'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 Nelsonville 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 net position. 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 Nelsonville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

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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, Sewer, and Parking Meter Funds.
- **Business-Type Activities** – Water and sewer services, as well as parking meter enforcement, 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, and parking meters, as well as all capital expenses associated with these facilities and equipment.

***Reporting the City of Nelsonville'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 Nelsonville, our major funds are the General Fund; the Street Levy Special Revenue Fund; the Capital Improvements Capital Projects Fund; and the Water and Sewer Enterprise Funds.

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

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

The City maintains a number of individual governmental funds. Information for major funds, identified earlier, is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances. Data from the other governmental funds are combined into a single aggregated presentation.

**Proprietary Funds** The City uses enterprise funds to account for its water, sewer, and parking meter operations. For all of these operations, the City charges a fee to customers, based upon the amount of usage, to recover the costs of the services provided, and to cover the capital assets associated with the services.

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

**THE CITY OF NELSONVILLE 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	Restated 2014	2015	Restated 2014	2015	Restated 2014
<b>Assets</b>						
Current and Other Assets	\$2,420,475	\$3,075,286	\$1,518,084	\$1,901,092	\$3,938,559	\$4,976,378
Capital Assets, Net	11,402,256	11,873,954	9,450,341	9,799,360	20,852,597	21,673,314
<i>Total Assets</i>	<u>13,822,731</u>	<u>14,949,240</u>	<u>10,968,425</u>	<u>11,700,452</u>	<u>24,791,156</u>	<u>26,649,692</u>
<b>Deferred Outflows of Resources</b>						
Pension	246,487	165,482	122,355	84,753	368,842	250,235
<b>Liabilities</b>						
Current and Other Liabilities	115,748	109,021	246,330	244,303	362,078	353,324
Long-Term Liabilities:						
Due within One Year	93,377	78,456	387,566	380,583	480,943	459,039
Due in More than One Year						
Net Pension Liability	1,802,230	1,712,346	694,813	679,118	2,497,043	2,391,464
Other Amounts	846,127	882,097	5,517,117	5,785,988	6,363,244	6,668,085
<i>Total Liabilities</i>	<u>2,857,482</u>	<u>2,781,920</u>	<u>6,845,826</u>	<u>7,089,992</u>	<u>9,703,308</u>	<u>9,871,912</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	245,462	287,040	0		245,462	287,040
Pension	8,483	0	12,206	0	20,689	0
<i>Total Deferred Inflows of Resources</i>	<u>253,945</u>	<u>287,040</u>	<u>12,206</u>	<u>0</u>	<u>266,151</u>	<u>287,040</u>
<b>Net Position</b>						
Net Investment in Capital Assets	10,603,609	11,037,602	3,623,189	3,660,471	14,226,798	14,698,073
Restricted for:						
Streets	255,553	294,893	0	0	255,553	294,893
Police	14,094	16,297	0	0	14,094	16,297
Parks	141,085	225,332	0	0	141,085	225,332
Capital Projects	826,875	898,433	0	0	826,875	898,433
Other Purposes	70,746	67,851	0	0	70,746	67,851
Unclaimed Monies	20,440	20,440	0	0	20,440	20,440
Unrestricted	(974,611)	(515,086)	609,559	1,034,742	(365,052)	519,656
<i>Total Net Position</i>	<u>\$10,957,791</u>	<u>\$12,045,762</u>	<u>\$4,232,748</u>	<u>\$4,695,213</u>	<u>\$15,190,539</u>	<u>\$16,740,975</u>

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.

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

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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.

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 the net position of governmental activities at December 31, 2014, from \$13,592,626 to \$12,045,762 and business-type activities from \$5,289,578 to \$4,695,213.

Total governmental activities assets decreased \$1,126,509. This is primarily due to depreciation of capital assets, as well as a decrease in cash and cash equivalents and decreases in income tax receipts.

Total governmental activities liabilities increased \$75,562, mainly due to an increase in the net pension liability.

Total business-type activities assets decreased \$732,027. This is primarily due to depreciation of capital assets, as well as a decrease in cash and cash equivalents.

For business-type activities, liabilities decreased \$244,166, primarily due to a decrease in long-term debt related to the City's water treatment plant project.

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

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

(Table 2)  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$131,790	\$134,870	\$1,992,065	\$1,864,086	\$2,123,855	\$1,998,956
Operating Grants, Contributions and Interest	199,232	582,783	0	0	199,232	582,783
Capital Grants and Contributions	78,160	16,896	0	0	78,160	16,896
<i>Total Program Revenues</i>	<u>409,182</u>	<u>734,549</u>	<u>1,992,065</u>	<u>1,864,086</u>	<u>2,401,247</u>	<u>2,598,635</u>
General Revenues						
Property Taxes	395,488	376,931	0	0	395,488	376,931
Income Taxes	1,548,979	1,659,939	0	0	1,548,979	1,659,939
Grants and Entitlements	82,646	86,328	0	0	82,646	86,328
Interest	7,371	8,152	0	0	7,371	8,152
Other	22,030	55,957	0	1,102	22,030	57,059
<i>Total General Revenues</i>	<u>2,056,514</u>	<u>2,187,307</u>	<u>0</u>	<u>1,102</u>	<u>2,056,514</u>	<u>2,188,409</u>
<b>Total Revenues</b>	<u>2,465,696</u>	<u>2,921,856</u>	<u>1,992,065</u>	<u>1,865,188</u>	<u>4,457,761</u>	<u>4,787,044</u>
<b>Program Expenses</b>						
General Government	737,693	644,734	0	0	737,693	644,734
Security of Persons and Property:						
Police	868,097	818,382	0	0	868,097	818,382
Fire	567,434	485,182	0	0	567,434	485,182
Transportation	1,100,640	1,281,640	0	0	1,100,640	1,281,640
Leisure Time Activities	310,447	305,014	0	0	310,447	305,014
Community Environment	6,975	368,843	0	0	6,975	368,843
Interest and Fiscal Charges	6,053	7,125	0	0	6,053	7,125
Water	0	0	1,378,341	1,458,546	1,378,341	1,458,546
Sewer	0	0	1,032,517	1,026,374	1,032,517	1,026,374
Parking Meter	0	0	0	0	0	0
<i>Total Program Expenses</i>	<u>3,597,339</u>	<u>3,910,920</u>	<u>2,410,858</u>	<u>2,484,920</u>	<u>6,008,197</u>	<u>6,395,840</u>
<i>Increase (Decrease) in Net Position before Transfers</i>	(1,131,643)	(989,064)	(418,793)	(619,732)	(1,550,436)	(1,608,796)
<i>Transfers</i>	<u>43,672</u>	<u>0</u>	<u>(43,672)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Increase (Decrease) in Net Position</i>	(1,087,971)	(989,064)	(462,465)	(619,732)	(1,550,436)	(1,608,796)
<i>Net Position at Beginning of Year, Restated</i>	12,045,762	NA	4,695,213	NA	16,740,975	NA
<i>Net Position at End of Year</i>	<u>\$10,957,791</u>	<u>\$12,045,762</u>	<u>\$4,232,748</u>	<u>\$4,695,213</u>	<u>\$15,190,539</u>	<u>\$16,740,975</u>

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 \$165,482 for governmental activities and \$84,753 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 \$256,802. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

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

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	\$3,597,339	\$2,410,858	\$6,008,197
Pension expense under GASB 68	(181,222)	(75,580)	(256,802)
2015 contractually required contribution	163,860	85,281	249,141
Adjusted 2015 program expenses	3,579,977	2,420,559	6,000,536
Total 2014 program expenses under GASB 27	3,910,920	2,484,920	6,395,840
Increase (Decrease) in program expenses not related to pension	(\$330,943)	(\$64,361)	(\$395,304)

**Governmental Activities**

Program revenues accounted for 16.6 percent of total revenues for governmental activities in 2015. The amount of program revenues decreased \$325,367 from 2014. This decrease is mainly due to the decrease in grant funding. Governmental activities services are primarily funded through general revenues, those basically comprising property taxes, income taxes, and State shared revenues. These revenue sources make up 98.6 percent of general revenues and 82.2 percent of total revenues. In total, the City's general revenues decreased \$130,793 during 2015. This decrease is mainly due to decreases in the City's income tax collections as a result of decreased employment.

The City continues to work very hard to increase the income tax base by being proactive with new businesses and is 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.

Governmental expenses, not related to pension decreased \$330,943, primarily due to decreases in Community Development program as result of decreases in grant funding. Security of persons and property is a major activity of the City, representing 39.9 percent of the governmental expenses. During 2015, expenses for police and fire operations amounted to \$868,097 and \$567,434, respectively. Expenses increased \$49,715 in the police department and increased \$82,252 in the fire department. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the income and activities of the police department, by applying for additional grant funding, to enable the department to widen the scope of its activity. The police and fire department and its employees continue to work hand in hand with the City to limit costs to the taxpayer.

Transportation activities, the City's largest program, accounted for 30.6 percent of governmental expenses.

General government, leisure time activities, community environment, and interest and fiscal charges account for the remaining 29.5 percent of governmental expenses.

**Business-Type Activities**

The City's water and sewer operations account for 100 percent of the expenses for the City's business-type activities and are funded almost entirely from charges for services. During 2015, program revenues were exceeded by program expenses by \$462,465 for all business-type activities.

The City's water and sewer departments continued to operate with reasonable water and sewer rates. The minimum water and sewer rates are \$9.89 and \$11.46, respectively, for the first 1,500 gallons. Water and sewer rates for two surrounding communities are \$14.83 for water and \$17.21 for sewer.

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

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**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 and other financing sources of \$2,575,744 and expenditures of \$3,160,996.

The fund balance of the General Fund decreased \$413,094. The General Fund's unassigned fund balance of \$232,899 represented 10.8 percent of current year expenditures. Most of this balance remains in the City's treasury.

The fund balance of the Street Levy Special Revenue Fund decreased \$20,985. The Street Levy Special Revenue Fund's spendable fund balance of \$95,585 represented 34.5 percent of current year expenditures.

The fund balance of the Capital Improvements Capital Projects Fund decreased \$69,252. The Capital Improvement Fund's spendable fund balance of \$786,869 represented 212.6 percent of current year expenditures.

The net position balance of the Water Enterprise Fund decreased \$376,402. Due to the net pension liability, the Water Enterprise Fund has a deficit unrestricted net position.

The net position balance of the Sewer Enterprise Fund decreased \$42,492. The Sewer Fund's unrestricted net position balance of \$613,856 represented 60.3 percent of current year expenses.

***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 departments and 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 looking for possible revenue shortfalls or overspending by individual departments.

For the General Fund, final budgeted revenues increased \$80,367 from the original amount. Final budgeted expenditures decreased \$1,009 from the original amount.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of 2015, the City had \$11,402,256 in governmental activities, and \$9,450,341 in business-type activities, invested in land, construction in progress, land improvements, buildings, furniture, fixtures, and equipment, vehicles, and infrastructure. Table 3 shows fiscal year 2015 balances compared to 2014.

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

(Table 3)  
 Capital Assets at December 31, 2015

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$407,263	\$407,263	\$155,955	\$155,955	\$563,218	\$563,218
Construction in Progress	180,738	16,896	0	0	180,738	16,896
Land Improvements	1,071,825	1,126,615	3,286	3,639	1,075,111	1,130,254
Buildings and Improvements	1,989,359	2,065,179	0	0	1,989,359	2,065,179
Furniture, Fixtures, and Equipment	230,512	244,569	146,878	187,834	377,390	432,403
Vehicles	316,399	337,811	129,576	95,116	445,975	432,927
Infrastructure	7,206,160	7,675,621	9,014,646	9,356,816	16,220,806	17,032,437
<b>Totals</b>	<b>\$11,402,256</b>	<b>\$11,873,954</b>	<b>\$9,450,341</b>	<b>\$9,799,360</b>	<b>\$20,852,597</b>	<b>\$21,673,314</b>

The assets of the City are reported at historical cost, net of depreciation. For additional information on capital assets, see Note 8 to the basic financial statements.

**Debt**

As of December 31, 2015, and December 31, 2014, the City had total long-term debt of \$6,687,612 and \$7,000,314, respectively, as follows:

(Table 4)  
 Outstanding Debt at December 31, 2015

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
OWDA Loans	\$39,832	\$42,490	\$4,868,059	\$5,098,343	\$4,907,891	\$5,140,833
OPWC Loans	704,500	719,956	959,093	1,001,796	1,663,593	1,721,752
Capital Leases	54,315	73,906	0	0	54,315	73,906
Police Pension Liability	61,813	63,823	0	0	61,813	63,823
<b>Totals</b>	<b>\$860,460</b>	<b>\$900,175</b>	<b>\$5,827,152</b>	<b>\$6,100,139</b>	<b>\$6,687,612</b>	<b>\$7,000,314</b>

The City's overall legal debt margin was \$4,372,302 at December 31, 2015. For additional information on the City's debt, see Notes 13 and 14 to the basic financial statements.

**CURRENT ISSUES**

As the preceding information shows, the City depends heavily on its taxpayers and grants and entitlements. Although the Nelsonville has tightened spending to better bring expenses in line with revenues, and carefully watched financial planning, this must continue if the City hopes to remain on firm financial footing.

**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 Garry Dickerson, Nelsonville City Auditor, 211 Lake Hope Drive, Nelsonville, Ohio 45764.



**City of Nelsonville, Ohio**  
*Statement of Net Position*  
December 31, 2015

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,687,888	\$1,325,921	\$3,013,809
Accounts Receivable	0	178,805	178,805
Intergovernmental Receivable	98,394	0	98,394
Income Taxes Receivable	290,750	0	290,750
Prepaid Items	25,360	13,358	38,718
Property Taxes Receivable	318,083	0	318,083
Nondepreciable Capital Assets	588,001	155,955	743,956
Depreciable Capital Assets, Net	10,814,255	9,294,386	20,108,641
<i>Total Assets</i>	<u>13,822,731</u>	<u>10,968,425</u>	<u>24,791,156</u>
<b>Deferred Outflows of Resources</b>			
Pension	246,487	122,355	368,842
<b>Liabilities</b>			
Accounts Payable	25,598	36,663	62,261
Accrued Wages Payable	37,901	22,302	60,203
Intergovernmental Payable	51,851	29,337	81,188
Matured Compensated Absences Payable	0	4,774	4,774
Accrued Interest Payable	398	52,470	52,868
Customer Deposits Payable	0	100,784	100,784
Long-Term Liabilities:			
Due within One Year	93,377	387,566	480,943
Due in More than One Year			
Net Pension Liability (See Note 9)	1,802,230	694,813	2,497,043
Other Amounts Due in More than One Year	846,127	5,517,117	6,363,244
<i>Total Liabilities</i>	<u>2,857,482</u>	<u>6,845,826</u>	<u>9,703,308</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	245,462	0	245,462
Pension	8,483	12,206	20,689
<i>Total Deferred Inflows of Resources</i>	<u>253,945</u>	<u>12,206</u>	<u>266,151</u>
<b>Net Position</b>			
Net Investment in Capital Assets	10,603,609	3,623,189	14,226,798
Restricted for:			
Streets	255,553	0	255,553
Parks	141,085	0	141,085
Capital Projects	826,875	0	826,875
Police	14,094	0	14,094
Other Purposes	70,746	0	70,746
Unclaimed Monies	20,440	0	20,440
Unrestricted	(974,611)	609,559	(365,052)
<i>Total Net Position</i>	<u>\$10,957,791</u>	<u>\$4,232,748</u>	<u>\$15,190,539</u>

See accompanying notes to the basic financial statements

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

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$737,693	\$14,602	\$0	\$0
Security of Persons and Property:				
Police	868,097	37,675	0	0
Fire	567,434	4,081	5,000	0
Transportation	1,100,640	0	165,185	64,160
Leisure Time Activities	310,447	75,432	29,047	14,000
Community Environment	6,975	0	0	0
Interest and Fiscal Charges	6,053	0	0	0
<i>Total Governmental Activities</i>	<u>3,597,339</u>	<u>131,790</u>	<u>199,232</u>	<u>78,160</u>
<b>Business-Type Activities</b>				
Water	1,378,341	1,001,939	0	0
Sewer	1,032,517	990,025	0	0
Parking Meter	0	101	0	0
<i>Total Business-Type Activities</i>	<u>2,410,858</u>	<u>1,992,065</u>	<u>0</u>	<u>0</u>
<b>Totals</b>	<u>\$6,008,197</u>	<u>\$2,123,855</u>	<u>\$199,232</u>	<u>\$78,160</u>

**General Revenues**

Property Taxes Levied for:  
    General Purposes  
    Street Construction and Maintenance  
    Parks and Recreation  
Income Taxes Levied for:  
    General Purposes  
    Capital Improvements  
Grants and Entitlements not Restricted to Specific Programs  
Interest  
Other

*Total General Revenues*

Transfers

*Total General Revenues and Transfers*

*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

Governmental Activities	Business-Type Activities	Total
(\$723,091)	\$0	(\$723,091)
(830,422)	0	(830,422)
(558,353)	0	(558,353)
(871,295)	0	(871,295)
(191,968)	0	(191,968)
(6,975)	0	(6,975)
(6,053)	0	(6,053)
<u>(3,188,157)</u>	<u>0</u>	<u>(3,188,157)</u>
0	(376,402)	(376,402)
0	(42,492)	(42,492)
0	101	101
<u>0</u>	<u>(418,793)</u>	<u>(418,793)</u>
<u>(3,188,157)</u>	<u>(418,793)</u>	<u>(3,606,950)</u>
162,899	0	162,899
215,780	0	215,780
16,809	0	16,809
1,314,539	0	1,314,539
234,440	0	234,440
82,646	0	82,646
7,371	0	7,371
22,030	0	22,030
<u>2,056,514</u>	<u>0</u>	<u>2,056,514</u>
43,672	(43,672)	0
<u>2,100,186</u>	<u>(43,672)</u>	<u>2,056,514</u>
(1,087,971)	(462,465)	(1,550,436)
12,045,762	4,695,213	16,740,975
<u>\$10,957,791</u>	<u>\$4,232,748</u>	<u>\$15,190,539</u>

**City of Nelsonville, Ohio**

*Balance Sheet  
Governmental Funds  
December 31, 2015*

	General	Street Levy	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$467,520	\$103,597	\$777,157	\$319,174	\$1,667,448
Restricted Assets: Cash and Cash Equivalents	20,440	0	0	0	20,440
Receivables:					
Property Taxes	190,953	108,088	0	19,042	318,083
Income Taxes	241,032	0	49,718	0	290,750
Intergovernmental	33,665	0	0	64,729	98,394
Interfund	809	0	0	0	809
Prepaid Items	20,193	406	0	4,761	25,360
<i>Total Assets</i>	<u>\$974,612</u>	<u>\$212,091</u>	<u>\$826,875</u>	<u>\$407,706</u>	<u>\$2,421,284</u>
<b>Liabilities</b>					
Accounts Payable	23,474	950	0	1,174	25,598
Accrued Wages Payable	31,605	6,013	0	283	37,901
Intergovernmental Payable	43,912	1,049	0	6,890	51,851
Interfund Payable	0	0	0	809	809
<i>Total Liabilities</i>	<u>98,991</u>	<u>8,012</u>	<u>0</u>	<u>9,156</u>	<u>116,159</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	147,372	83,394	0	14,696	245,462
Unavailable Revenue	258,787	24,694	40,006	47,657	371,144
<i>Total Deferred Inflows of Resources</i>	<u>406,159</u>	<u>108,088</u>	<u>40,006</u>	<u>62,353</u>	<u>616,606</u>
<b>Fund Balances</b>					
Nonspendable	40,633	406	0	4,761	45,800
Restricted	0	95,585	786,869	331,436	1,213,890
Assigned	195,930	0	0	0	195,930
Unassigned	232,899	0	0	0	232,899
<i>Total Fund Balances</i>	<u>469,462</u>	<u>95,991</u>	<u>786,869</u>	<u>336,197</u>	<u>1,688,519</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$974,612</u>	<u>\$212,091</u>	<u>\$826,875</u>	<u>\$407,706</u>	<u>\$2,421,284</u>

See accompanying notes to the basic financial statements

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

<b>Total Governmental Fund Balances</b>		<b>\$1,688,519</b>
 <b><i>Amounts reported for governmental activities  in the statement of net position are different  because:</i></b>		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.		11,402,256
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Property Taxes	72,621	
Income Taxes	233,956	
Intergovernmental Revenues	64,567	371,144
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	246,487	
Deferred Inflows - Pension	(8,483)	
Net Pension Liability	(1,802,230)	(1,564,226)
Long-term liabilities, accrued interest, and vacation benefits that are not due and payable in the current period and therefore are not reported in the funds:		
Police Pension Payable	(61,813)	
Loans Payable	(744,332)	
Accrued Interest Payable	(398)	
Capital Leases Payable	(54,315)	
Compensated Absences	(79,044)	(939,902)
 Net Position of Governmental Activities		 <b><u><u>\$10,957,791</u></u></b>

See accompanying notes to the basic financial statements

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

	General	Street Levy	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$165,015	\$230,307	\$0	\$17,061	\$412,383
Income Taxes	1,325,716	0	236,746	0	1,562,462
Permissive Motor Vehicle License Tax	0	0	0	611	611
Intergovernmental	91,422	24,552	64,160	163,111	343,245
Charges for Services	8,522	0	0	75,432	83,954
Licenses and Permits	10,407	0	0	0	10,407
Fines and Forfeitures	36,534	0	0	895	37,429
Interest	7,371	0	0	434	7,805
Gifts and Donations	0	0	0	20,105	20,105
Other	19,998	1,532	0	500	22,030
<i>Total Revenues</i>	<u>1,664,985</u>	<u>256,391</u>	<u>300,906</u>	<u>278,149</u>	<u>2,500,431</u>
<b>Expenditures</b>					
Current:					
General Government	723,287	0	0	0	723,287
Security of Persons and Property:					
Police	856,936	0	0	3,598	860,534
Fire	467,746	0	0	0	467,746
Transportation	58,570	263,437	0	134,783	456,790
Leisure Time Activities	0	0	0	216,677	216,677
Capital Outlay	31,641	0	328,895	0	360,536
Debt Service:					
Principal Retirement	13,305	13,939	37,927	4,175	69,346
Interest and Fiscal Charges	1,907	0	3,336	837	6,080
<i>Total Expenditures</i>	<u>2,153,392</u>	<u>277,376</u>	<u>370,158</u>	<u>360,070</u>	<u>3,160,996</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(488,407)</u>	<u>(20,985)</u>	<u>(69,252)</u>	<u>(81,921)</u>	<u>(660,565)</u>
<b>Other Financing Sources</b>					
Transfers In	43,672	0	0	0	43,672
Inception of Capital Lease	31,641	0	0	0	31,641
<i>Total Other Financing Sources</i>	<u>75,313</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>75,313</u>
<i>Net Change in Fund Balance</i>	<u>(413,094)</u>	<u>(20,985)</u>	<u>(69,252)</u>	<u>(81,921)</u>	<u>(585,252)</u>
<i>Fund Balances at Beginning of Year</i>	<u>882,556</u>	<u>116,976</u>	<u>856,121</u>	<u>418,118</u>	<u>2,273,771</u>
<i>Fund Balances at End of Year</i>	<u>\$469,462</u>	<u>\$95,991</u>	<u>\$786,869</u>	<u>\$336,197</u>	<u>\$1,688,519</u>

See accompanying notes to the basic financial statements

**City of Nelsonville, 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*

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**Net Change in Fund Balances - Total Governmental Funds** (\$585,252)

***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	285,899	
Depreciation Expense	<u>(757,085)</u>	(471,186)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on disposal of assets: (512)

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

Property Taxes	(16,895)	
Income Taxes	(13,483)	
Intergovernmental Revenues	<u>(4,357)</u>	(34,735)

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

OPWC Loans Payable	15,456	
OWDA Loans Payable	2,658	
Capital Leases Payable	51,232	
Police Pension Payable	<u>2,010</u>	71,356

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, interest is expended when due. 27

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net position are not reported:  
Inception of Capital Leases (31,641)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 163,860

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (181,222)

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. (18,666)

*Change in Net Position of Governmental Activities* (\$1,087,971)

See accompanying notes to the basic financial statements

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$155,600	\$165,842	\$165,015	(\$827)
Income Taxes	1,310,000	1,355,144	1,348,384	(6,760)
Intergovernmental	78,000	92,162	91,702	(460)
Charges for Services	11,600	8,565	8,522	(43)
Licenses and Permits	9,100	10,459	10,407	(52)
Fines and Forfeitures	29,700	36,717	36,534	(183)
Interest	8,000	7,408	7,371	(37)
Other	14,000	20,070	19,998	(72)
<i>Total Revenues</i>	1,616,000	1,696,367	1,687,933	(8,434)
<b>Expenditures</b>				
Current:				
General Government	843,326	724,875	724,875	0
Security of Persons and Property:				
Police	808,125	852,120	852,120	0
Fire	461,487	476,364	476,364	0
Transportation	0	58,570	58,570	0
<i>Total Expenditures</i>	2,112,938	2,111,929	2,111,929	0
<i>Excess of Revenues Under Expenditures</i>	(496,938)	(415,562)	(423,996)	(8,434)
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	43,672	43,672	0
Advances In	0	14,191	14,191	0
Advances Out	0	(15,000)	(15,000)	0
<i>Total Other Financing Sources (Uses)</i>	0	42,863	42,863	0
<i>Net Change in Fund Balance</i>	(496,938)	(372,699)	(381,133)	(8,434)
<i>Fund Balance at Beginning of Year</i>	869,093	869,093	869,093	0
<i>Fund Balance at End of Year</i>	\$372,155	\$496,394	\$487,960	(\$8,434)

See accompanying notes to the basic financial statements



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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$227,000	\$227,000	\$230,307	\$3,307
Intergovernmental	30,000	30,000	24,552	(5,448)
Other	0	0	1,532	1,532
<i>Total Revenues</i>	257,000	257,000	256,391	(609)
<b>Expenditures</b>				
Current:				
Transportation	263,700	263,177	263,177	0
Debt Service:				
Principal Retirements	24,000	13,939	13,939	0
<i>Total Expenditures</i>	287,700	277,116	277,116	0
<i>Net Change in Fund Balance</i>	(30,700)	(20,116)	(20,725)	(609)
<i>Fund Balance at Beginning of Year</i>	124,322	124,322	124,322	0
<i>Fund Balance at End of Year</i>	\$93,622	\$104,206	\$103,597	(\$609)

See accompanying notes to the basic financial statements

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

	Water	Sewer	Total Enterprise Funds
<b>Assets</b>			
Current:			
Equity in Pooled Cash and Cash Equivalents	\$354,236	\$870,901	\$1,225,137
Accounts Receivable	89,829	88,976	178,805
Prepaid Items	7,298	6,060	13,358
<i>Total Current Assets</i>	<u>451,363</u>	<u>965,937</u>	<u>1,417,300</u>
Noncurrent:			
Restricted Assets:			
Customer Deposits	60,458	40,326	100,784
Nondepreciable Capital Assets	36,497	119,458	155,955
Depreciable Capital Assets, Net	6,619,342	2,675,044	9,294,386
<i>Total Noncurrent Assets</i>	<u>6,716,297</u>	<u>2,834,828</u>	<u>9,551,125</u>
<i>Total Assets</i>	<u>7,167,660</u>	<u>3,800,765</u>	<u>10,968,425</u>
<b>Deferred Outflows of Resources</b>			
Pension	66,362	55,993	122,355
<b>Liabilities</b>			
Current:			
Accounts Payable	9,580	27,083	36,663
Accrued Wages Payable	12,979	9,323	22,302
Intergovernmental Payable	14,994	14,343	29,337
Accrued Interest Payable	45,569	6,901	52,470
OWDA Loans Payable	213,407	107,983	321,390
OPWC Loans Payable	33,252	9,453	42,705
Compensated Absences Payable	15,681	7,790	23,471
Matured Compensated Absences Payable	4,774	0	4,774
<i>Total Current Liabilities</i>	<u>350,236</u>	<u>182,876</u>	<u>533,112</u>
Long-Term:			
OWDA Loans Payable	4,005,944	540,725	4,546,669
OPWC Loans Payable	792,037	124,351	916,388
Customer Deposits Payable	60,458	40,326	100,784
Compensated Absences Payable	34,978	19,082	54,060
Net Pension Liability	376,847	317,966	694,813
<i>Total Long-Term Liabilities</i>	<u>5,270,264</u>	<u>1,042,450</u>	<u>6,312,714</u>
<i>Total Liabilities</i>	<u>5,620,500</u>	<u>1,225,326</u>	<u>6,845,826</u>
<b>Deferred Inflows of Resources</b>			
Pension	6,620	5,586	12,206
<b>Net Position</b>			
Net Investment in Capital Assets	1,611,199	2,011,990	3,623,189
Unrestricted (4,297)	<u>613,856</u>	<u>609,559</u>	<u>609,559</u>
<i>Total Net Position</i>	<u>\$1,606,902</u>	<u>\$2,625,846</u>	<u>\$4,232,748</u>

See accompanying notes to the basic financial statements

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

	Water	Sewer	Nonmajor	Total Enterprise Funds
<b>Operating Revenues</b>				
Charges for Services	\$1,001,939	\$990,025	\$101	\$1,992,065
<i>Total Operating Revenues</i>	<u>1,001,939</u>	<u>990,025</u>	<u>101</u>	<u>1,992,065</u>
<b>Operating Expenses</b>				
Salaries and Wages	433,358	334,990	0	768,348
Fringe Benefits	151,322	118,893	0	270,215
Contractual Services	164,670	242,087	0	406,757
Materials and Supplies	208,686	113,295	0	321,981
Depreciation	229,386	177,248	0	406,634
Capital Outlay	98,740	26,897	0	125,637
Other	0	3,753	0	3,753
<i>Total Operating Expenses</i>	<u>1,286,162</u>	<u>1,017,163</u>	<u>0</u>	<u>2,303,325</u>
<i>Operating Income (Loss)</i>	(284,223)	(27,138)	101	(311,260)
<b>Non-Operating Expenses</b>				
Loss on Sale of Capital Assets	0	(980)	0	(980)
Interest and Fiscal Charges	(92,179)	(14,374)	0	(106,553)
<i>Total Non-Operating Expenses</i>	<u>(92,179)</u>	<u>(15,354)</u>	<u>0</u>	<u>(107,533)</u>
<i>Income (Loss) before Transfers</i>	(376,402)	(42,492)	101	(418,793)
Transfers Out	0	0	(43,672)	(43,672)
<i>Change in Net Position</i>	(376,402)	(42,492)	(43,571)	(462,465)
<i>Net Position at Beginning of Year Restated (See Note 3)</i>	<u>1,983,304</u>	<u>2,668,338</u>	<u>43,571</u>	<u>4,695,213</u>
<i>Net Position at End of Year</i>	<u><u>\$1,606,902</u></u>	<u><u>\$2,625,846</u></u>	<u><u>\$0</u></u>	<u><u>\$4,232,748</u></u>

See accompanying notes to the basic financial statements

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

	Water	Sewer	Nonmajor	Total Enterprise Funds
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers	\$995,722	\$973,996	\$101	\$1,969,819
Cash Payments for Employee Services and Benefits	(576,940)	(452,358)	0	(1,029,298)
Cash Payments to Suppliers for Goods and Services	(471,444)	(385,004)	0	(856,448)
Customer Deposits Received	7,815	5,210	0	13,025
Other Operating Expenses	0	(3,753)	0	(3,753)
Customer Deposits Returned	(7,667)	(5,112)	0	(12,779)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(52,514)</u>	<u>132,979</u>	<u>101</u>	<u>80,566</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Transfers Out	0	0	(43,672)	(43,672)
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition of Capital Assets	(29,298)	(29,297)	0	(58,595)
Proceeds from OWDA Loans	84,645	0	0	84,645
Principal Paid on OWDA Loans	(209,240)	(105,689)	0	(314,929)
Interest Paid on OWDA Loans	(94,251)	(15,513)	0	(109,764)
Principal Paid on OPWC Loans	(33,250)	(9,453)	0	(42,703)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(281,394)</u>	<u>(159,952)</u>	<u>0</u>	<u>(441,346)</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(333,908)	(26,973)	(43,571)	(404,452)
<i>Cash and Cash Equivalents at Beginning of Year</i>	748,602	938,200	43,571	1,730,373
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$414,694</u>	<u>\$911,227</u>	<u>\$0</u>	<u>\$1,325,921</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>				
<i>Operating Income (Loss)</i>	(\$284,223)	(\$27,138)	\$101	(\$311,260)
<i>Adjustments:</i>				
Depreciation	229,386	177,248	0	406,634
<i>(Increase) Decrease in Assets:</i>				
Accounts Receivable	(6,217)	(16,029)	0	(22,246)
Prepays Items	488	314	0	802
Decrease in Deferred Outflows of Resources - Pension	4,741	3,999		8,740
<i>Increase (Decrease) in Liabilities:</i>				
Accounts Payable	1,749	(1,243)	0	506
Accrued Wages Payable	1,953	1,935	0	3,888
Compensated Absences Payable	11,498	4,375	0	15,873
Customer Deposits	148	98	0	246
Intergovernmental Payable	(2,034)	(2,142)	0	(4,176)
Net Pension Liability	(6,948)	(5,861)	0	(12,809)
Decrease in Deferred Outflows of Resources - Pension	(3,055)	(2,577)	0	(5,632)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$52,514)</u>	<u>\$132,979</u>	<u>\$101</u>	<u>\$80,566</u>

See accompanying notes to the basic financial statements

**City of Nelsonville, Ohio**  
*Statement of Assets and Liabilities*  
*Agency Fund*  
*December 31, 2015*

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<b>Assets</b>	
Cash and Cash Equivalents in Segregated Accounts	<u>\$3,749</u>
<b>Liabilities</b>	
Intergovernmental Payable	\$2,424
Undistributed Monies	\$1,120
Deposits Held and Due to Others	<u>205</u>
<i>Total Liabilities</i>	<u>\$3,749</u>

See accompanying notes to the basic financial statements

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

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**Note 1 - Description of City and Reporting Entity**

The City of Nelsonville (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the laws of the State of Ohio. The City is organized as a Council/City Manager form of government. Located in Athens County in southern Ohio on the banks of the Hocking River, the City of Nelsonville was chartered under its present form of government in 1995.

The Auditor and Treasurer, both with four year terms, and a seven member Council, with two year terms, are elected. The City Council, in turn, appoints the City Manager. Department directors and public members of various boards and commissions are appointed by the City Manager.

***Reporting Entity***

The financial reporting entity consists of the primary government, component units, and other governmental organizations included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City of Nelsonville, this includes the departments that provide 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. These activities are directly controlled by the Council through the budgetary process and by the City Auditor and the City Manager through administrative and managerial requirements and procedures.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent upon the City in that the City approves the budget, the issuance of debt, or the levying of taxes and there is potential for the organization to provide specific financial benefits 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 the Athens County Regional Planning Commission and the Athens County Economic Development Council, which are defined as jointly governed organizations, and the Ohio Municipal League Workers' Compensation Group Rating Program, which is defined as an insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the Basic Financial Statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the City of Nelsonville have been prepared in conformity to generally accepted accounting principles (GAAP) 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.

***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.

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

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**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 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 liabilities 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 except those required to be 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.

**Street Levy Fund** The Street Levy Fund is used to account for property tax monies received for various street projects, infrastructure improvements, and maintenance of the streets within the City.

**Capital Improvements Fund** The Capital Improvements Fund is used to account for that portion of income taxes designated for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income,

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

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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.

**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 by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equals liabilities) and do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund. The City's agency fund accounts for mayor's court collections that are distributed to various local governments.

**C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economics resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. 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 liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports in the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the 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 all liabilities 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 (i.e. revenues) and decreases (i.e. expenses) in total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.



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

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***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 and fiduciary 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 revenues, and in the presentation of expenses versus expenditures.

***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, charges for services, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), interest, grants, and fees.

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements 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 are for pension reported in the government-wide Statement of Net Position. The deferred outflows of resources related to the pension are explained in Note 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, 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 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 tax revenue, licenses and permits, state-levied and locally shared taxes, and grants and entitlements. 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 9 for more details.

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

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**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.

**E. Budgetary Process**

All funds, other than the agency fund, 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 department 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 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. 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 nonnegotiable certificates of deposits and a money market account, both of which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest is credited to the General Fund and the Street Construction and Maintenance, State Highway, and Permissive Tax Special Revenue Funds. Interest revenue credited to the General Fund during 2015 amounted to \$7,371, which includes \$6,107 assigned from other City funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

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

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**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

**H. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by the creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise funds represent customer deposits. Unclaimed monies that are required to be held for five years before they may be utilized by the City are reported as restricted.

**I. 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 one thousand five hundred dollars. The City's infrastructure consists of U.S. and State roads which the City maintains, 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 in both governmental and business-type funds:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land Improvements	15 - 50 Years	20 - 25 Years
Buildings and Improvements	40 - 50 Years	N/A
Furniture, Fixtures, and Equipment	5 - 15 Years	5 - 20 Years
Vehicles	5 - 15 Years	5 - 15 Years
Infrastructure	15 - 40 Years	5 - 40 Years

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

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

***J. 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.

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 ten years of service.

***K. Contributions of Capital***

Contributions of capital in the proprietary fund financial statements arise from tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources for capital acquisition or construction.

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

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

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

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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. These amounts are assigned by the City Council. In the general fund, assigned amounts represent intended uses established by the City Council or a City official delegated that authority by City charter, or ordinance, or by State Statute. State Statute authorizes the Director of Finance to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

**M. Internal Activity**

During the course of operations, transactions occur between individual funds for goods provided or services rendered. On fund financial statements, receivables and payables resulting from short-term and long-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities column of the Statement of Net Position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**N. 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 special termination benefits 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. Long-term loans and capital leases are recognized as a liability on the governmental fund financial statements when due.

**O. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

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

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**P. Net Position**

Net position represent the difference between assets and liabilities. 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 either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include activities related to the Mayor's court and the Baird Trust.

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

**Q. Pensions**

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

**R. 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.

**S. 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 – Changes in Accounting Principles 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.

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

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	\$13,592,626	\$5,289,578		
Adjustments:				
GASB 68				
Net Pension Liability	(1,712,346)	(679,118)		
Deferred Outflow - Payments Subsequent to Measurement Date	165,482	84,753		
Restated Net Position December 31, 2014	\$12,045,762	\$4,695,213		
	Water	Sewer	Parking Meter	Total Enterprise
Net position December 31, 2014	\$2,305,671	\$2,940,336	\$43,571	\$5,289,578
Adjustments:				
Net Pension Liability	(368,335)	(310,783)	0	(679,118)
Deferred Outflow - Payments Subsequent to Measurement Date	45,968	38,785	0	84,753
Restated Net Position December 31, 2014	\$1,983,304	\$2,668,338	\$43,571	\$4,695,213

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

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

Fund Balances	General Fund	Street Levy	Capital Improvements	Other Governmental Funds	Total
Nonspendable:					
Unclaimed Monies	\$20,440	\$0	\$0	\$0	\$20,440
Prepays	20,193	406	0	4,761	25,360
<i>Total Nonspendable</i>	<u>40,633</u>	<u>406</u>	<u>0</u>	<u>4,761</u>	<u>45,800</u>
Restricted for:					
Street Improvements	0	95,585	0	110,587	206,172
Community Development	0	0	0	51,773	51,773
Law Enforcement	0	0	0	527	527
Drug and Alcohol Enforcement	0	0	0	13,567	13,567
Recreation	0	0	0	136,009	136,009
Other Purposes	0	0	0	18,973	18,973
Capital Improvements	0	0	786,869	0	786,869
<i>Total Restricted</i>	<u>0</u>	<u>95,585</u>	<u>786,869</u>	<u>331,436</u>	<u>1,213,890</u>
Assigned to:					
Year 2016 Appropriations	195,930	0	0	0	195,930
Unassigned:	232,899	0	0	0	232,899
<i>Total Fund Balances</i>	<u>\$469,462</u>	<u>\$95,991</u>	<u>\$786,869</u>	<u>\$336,197</u>	<u>\$1,688,519</u>

**Note 5 - Budgetary Basis of Accounting**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP 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 and each major special revenue 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 basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Prepaid items represent amounts received but not included as revenues on the budget basis operating statements. These amounts are included as revenues on the GAAP basis operating statement.
4. Inception of Capital Lease is a non-cash transaction which is reported on the GAAP operating statement, and not on the budgetary basis statements.
5. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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



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

Net Change in Fund Balance

	General	Street Levy
GAAP Basis	(\$413,094)	(\$20,985)
Revenue Accruals	22,948	0
Expenditure Accruals	43,026	292
Beginning of Year Prepaid Items	(21,756)	(438)
End of Year Prepaid Items	20,193	406
Inception of Capital Lease	(31,641)	0
Advances In	14,191	0
Advances Out	(15,000)	0
Budget Basis	(\$381,133)	(\$20,725)

**Note 6 - Deposits and Investments**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. 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.

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

Interim monies to 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 Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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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 limitation bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**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 \$3,017,558 and the bank balance was \$3,152,425. Of the bank balance, \$500,000 was covered by Federal depository insurance and \$2,652,425 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.

**Note 7 - Receivables**

Receivables at December 31, 2015, consisted primarily of municipal income taxes, property taxes, accounts (billings for user fees including unbilled utility services), and intergovernmental receivables arising from entitlements and shared revenues.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables are expected to be collected within one year, except for property and income taxes. Property and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

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

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**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 were 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 which became 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 \$6.00 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2015 property tax receipts were based are as follows:

Real Property	\$45,670,610
Public Utility Personal Property	<u>3,576,520</u>
Total	<u><u>\$49,247,130</u></u>

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

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

**B. Income Taxes**

The City levies a municipal income tax of 1.75 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 of property and equipment, the purchase of new equipment, extension and enlargement of municipal services and facilities, and capital improvements of the City of Nelsonville.

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

**C. Intergovernmental Receivable**

A summary of intergovernmental receivables follows:

**Governmental Activities:**

Gasoline Tax	\$53,885
Local Government	32,947
Motor Vehicle License Tax	10,844
Miscellaneous	718
	718

<b>Total Intergovernmental Receivables</b>	<b>\$98,394</b>
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**Note 8 - Capital Assets**

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

	Balance at 12/31/14	Additions	Deletions	Balance at 12/31/15
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$407,263	\$0	\$0	\$407,263
Construction in Progress	16,896	163,842	0	180,738
Total Capital Assets not being Depreciated	424,159	163,842	0	588,001
Depreciable Capital Assets:				
Land Improvements	1,489,425	0	0	1,489,425
Buildings and Improvements	3,070,507	4,270	0	3,074,777
Furniture, Fixtures, and Equipment	728,650	16,800	(40,619)	704,831
Vehicles	1,418,153	62,932	(60,170)	1,420,915
Infrastructure	16,419,615	38,055	0	16,457,670
Total Depreciable Capital Assets	23,126,350	122,057	(100,789)	23,147,618
Less Accumulated Depreciation:				
Land Improvements	(362,810)	(54,790)	0	(417,600)
Buildings and Improvements	(1,005,328)	(80,090)	0	(1,085,418)
Furniture, Fixtures, and Equipment	(484,081)	(30,345)	40,107	(474,319)
Vehicles	(1,080,342)	(84,344)	60,170	(1,104,516)
Infrastructure	(8,743,994)	(507,516)	0	(9,251,510)
Total Accumulated Depreciation	(11,676,555)	(757,085) *	100,277	(12,333,363)
Total Capital Assets being Depreciated, Net				
	11,449,795	(635,028)	(512)	10,814,255
Governmental Activities				
Capital Assets, Net	\$11,873,954	(\$471,186)	(\$512)	\$11,402,256

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

\*Depreciation expense was charged to governmental programs as follows:

General Government	\$23,118
Security of Persons and Property:	
Police	29,793
Fire	43,326
Transportation	547,611
Leisure Time Activities	106,262
Community Environment	<u>6,975</u>
Total Depreciation Expense	<u><u>\$757,085</u></u>

	Balance at 12/31/14	Additions	Deductions	Balance at 12/31/15
<b>Business-Type Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$155,955	\$0	\$0	\$155,955
Depreciable Capital Assets:				
Land Improvements	10,826	0	0	10,826
Furniture, Fixtures, and Equipment	630,173	0	(6,893)	623,280
Vehicles	200,696	58,595	0	259,291
Infrastructure	<u>14,470,701</u>	<u>0</u>	<u>(11,708)</u>	<u>14,458,993</u>
Total Capital Assets being Depreciated	<u>15,312,396</u>	<u>58,595</u>	<u>(18,601)</u>	<u>15,352,390</u>
Less Accumulated Depreciation:				
Land Improvements	(7,187)	(353)	0	(7,540)
Furniture, Fixtures, and Equipment	(442,339)	(39,976)	5,913	(476,402)
Vehicles	(105,580)	(24,135)	0	(129,715)
Infrastructure	<u>(5,113,885)</u>	<u>(342,170)</u>	<u>11,708</u>	<u>(5,444,347)</u>
Total Accumulated Depreciation	<u>(5,668,991)</u>	<u>(406,634)</u>	<u>17,621</u>	<u>(6,058,004)</u>
Total Capital Assets being Depreciated, Net	<u>9,643,405</u>	<u>(348,039)</u>	<u>(980)</u>	<u>9,294,386</u>
Business-Type Activities Capital Assets, Net	<u><u>\$9,799,360</u></u>	<u><u>(\$348,039)</u></u>	<u><u>(\$980)</u></u>	<u><u>\$9,450,341</u></u>

**Note 9 - 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.

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

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

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

The 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):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
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
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 w ith 60 months of service credit or Age 55 w ith 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 w ith 60 months of service credit or Age 55 w ith 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 w ith 25 years of service credit or Age 62 w ith 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

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

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

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

	State and Local	Public Safety	Law Enforcement
<b>2015 Statutory Maximum Contribution Rates</b>			
Employer	14.0%	18.1%	18.1%
Employee	10.0%	*	**
<b>2015 Actual Contribution Rates</b>			
Employer:			
Pension	12.0%	16.1%	16.1%
Post-employment Health Care Benefits	2.0	2.0	2.0
Total Employer	<u>14.0%</u>	<u>18.1%</u>	<u>18.1%</u>
Employee	<u>10.0%</u>	<u>12.0%</u>	<u>13.0%</u>

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

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

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

The City's contractually required contribution was \$144,543 for 2015. Of this amount, \$5,046 is reported as an intergovernmental payable.

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

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

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

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

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

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

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

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

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

	Police	Firefighters
<b>2015 Statutory Maximum Contribution Rates</b>		
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%
<b>2015 Actual Contribution Rates</b>		
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%



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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$104,598 for 2015. Of this amount \$12,148 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2015, the specific liability of the City was \$61,813 payable in semi-annual payments through the year 2035.

***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. OPF'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	\$1,177,648	\$1,319,395	\$2,497,043
Proportion of the Net Pension Liability	0.0097640%	0.0254689%	
Pension Expense	\$128,101	\$128,701	\$256,802

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

	OPERS	OP&F	Total
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$62,837	\$56,864	\$119,701
City contributions subsequent to the measurement date	144,543	104,598	249,141
Total Deferred Outflows of Resources	<u>\$207,380</u>	<u>\$161,462</u>	<u>\$368,842</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	<u>\$20,689</u>	<u>\$0</u>	<u>\$20,689</u>

\$249,141 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 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:

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

	OPERS	OP&F	Total
Year Ending December 31:			
2016	\$6,163	\$14,216	\$20,379
2017	6,164	14,216	20,380
2018	14,112	14,216	28,328
2019	15,709	14,216	29,925
Total	\$42,148	\$56,864	\$99,012

**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

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.

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

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.

**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	\$2,166,534	\$1,177,648	\$344,767

**Actuarial Assumptions – OPF**

OPF'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 OPF'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:

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

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 OPF's target asset allocation as of December 31, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00%	(0.25)%
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00%</u>	

\* levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF'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

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

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	\$1,824,923	\$1,319,395	\$891,367

**Note 10 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

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OPERS maintains three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2015, 2014, and 2013, was \$24,089, \$24,644, and \$12,801, respectively. For 2015, 96.51 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

***B. Ohio Police and Fire Pension Fund***

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

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF 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.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

OPF 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 OPF Board of Trustees.

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

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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. The portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2015 through December 31, 2015. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contribution to OP&F which was allocated to fund postemployment health care benefits for police and firefighters was \$1,975 and \$629 for the year ended December 31, 2015, \$1,885 and \$905 for the year ended December 31, 2014, and \$10,383 and \$3,782 for the year ended December 31, 2013. For 2015, 88.30 and 88.55 percent, respectively has been contributed for police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

**Note 11 - Employee Benefits**

**A. Insurance**

The City provides \$20,000 in life insurance and accidental death and dismemberment insurance to all if its full-time employees and \$10,000 for their dependents through Principle Life.

The City provides comprehensive major medical insurance through WellNet. Monthly premiums are \$654.48 for single coverage and \$1,660.88 for family coverage. The City pays 85 percent of the total monthly premium for the family coverage. Vision insurance is provided through Employee Vision Trust. The premiums are \$7.77 for single coverage and \$18.09 for family coverage. Dental insurance is provided through Delta Dental. The premiums are \$25.65 for single coverage and \$97.85 for family coverage. The City pays 85 percent of the premiums for vision, dental, and life insurances for all employees.

**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 all of their sick leave up to a maximum accumulation of 240 hours. Upon voluntary termination, death or retirement, all employees will receive 100% of vacation earned and not previously taken.

**Note 12 - Risk Management**

**A. Property and Liability**

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 U.S. Specialty Insurance Company, through the McFadden Insurance Services Company, with a blanket insurance policy with the following coverage limits and deductibles:

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

<u>Property and Liability</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
Real Property	\$1,000	\$14,982,989
General Liability:		
Each Occurrence	10,000	1,000,000
Aggregate Limit	10,000	3,000,000
Employee Benefits:		
Each Occurrence	1,000	1,000,000
Aggregate Limit	1,000	3,000,000
Inland Marine	500	607,677
Wrongfull Acts Liability:		
Each Occurrence	10,000	1,000,000
Aggregate Limit	10,000	1,000,000
Vehicles:		
Comprehensive	500	1,000,000
Collision	1,000	1,000,000
Employee Dishonesty	250	25,000
Law Enforcement:		
Each Occurrence	10,000	1,000,000
Aggregate Limit	10,000	1,000,000
Umbrella Coverage:		
Each Occurrence	10,000	4,000,000
Aggregate Limit	10,000	4,000,000

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.

**B. Workers' Compensation**

For 2015, the City participated in the Ohio Municipal League Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 16). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating entities is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. The savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Each year the City pays an enrollment fee to the Plan to cover the costs of administering the program.

The City may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Municipal League. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows the representative of the Plan to access loss experience for three years following the last year of participation.



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

**Note 13 - Capital Leases - Lessee Disclosure**

During 2015, the City entered into one new lease for the purchase of a police cruiser. In prior years, the City had entered into several capital leases for the purchase of vehicles, heavy equipment, and office equipment.

The leases meet the criteria of a capital lease which is defined as one which transfers benefits and risks of ownership to the lessee. Capital lease payments made from governmental funds have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program expenditures on a budgetary basis.

The assets acquired through capital leases are as follows:

	Governmental Activities
Machinery and Equipment	\$0
Vehicles	243,549
Less: Accumulated Depreciation	(115,989)
<b>Total</b>	<b>\$127,560</b>

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

Year Ending December 31,	Governmental Activities
2016	\$45,275
2017	13,881
2018	415
Total Minimum Lease Payments	59,571
Less: Amount Representing Interest	5,256
Present Value of Net Minimum Lease Payments	<b>\$54,315</b>

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

**Note 14 - 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
<b>Governmental Activities:</b>					
2007 OWDA Adams Street Improvements Loan - 2.00%	\$42,490	\$0	\$2,658	\$39,832	\$2,712
2008 OPWC Adams Street Improvements Loan - 0%	22,986	0	1,517	21,469	1,517
2014 OPWC Jefferson and Watkins Street Improvements Loan - 0%	696,970	0	13,939	683,031	27,879
Total Loans	<u>762,446</u>	<u>0</u>	<u>18,114</u>	<u>744,332</u>	<u>32,108</u>
Capital Leases	73,906	31,641	51,232	54,315	41,182
Police and Fire Pension Liability	63,823	0	2,010	61,813	2,096
Compensated Absences	60,378	21,859	3,193	79,044	17,991
Net Pension Liability:					
OPERS	471,930	10,905	0	482,835	0
OP&F	1,240,416	78,979	0	1,319,395	0
Total Net Pension Liability	<u>1,712,346</u>	<u>89,884</u>	<u>0</u>	<u>1,802,230</u>	<u>0</u>
<b>Total Governmental Activities</b>	<u>\$2,672,899</u>	<u>\$143,384</u>	<u>\$74,549</u>	<u>\$2,741,734</u>	<u>\$93,377</u>

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

	Principal Outstanding 12/31/14	Additions	Deductions	Principal Outstanding 12/31/15	Amounts Due in One Year
<b>Business-Type Activities:</b>					
OWDA Loans:					
1998 Sylvania Avenue Sewer Loan - 2.20%	\$116,529	\$0	\$32,388	\$84,141	\$33,105
2002 Sewer Digester Loan - 2.20%	379,545	0	50,727	328,818	51,850
2002 State Route 33 Sewer Improvements Loan - 2.00%	137,930	0	15,042	122,888	15,345
2007 Adams Street Sewer Improvements Loan - 2.00%	120,393	0	7,532	112,861	7,683
2002 Water Improvements Loan - 2.00%	125,436	0	13,680	111,756	13,955
2007 Adams Street Water Improvements Loan - 2.00%	120,393	0	7,532	112,861	7,683
2012 Water Treatment Plant Loan - 1.98%	4,098,117	84,645	188,028	3,994,734	191,769
<b>Total OWDA Loans</b>	<b>5,098,343</b>	<b>84,645</b>	<b>314,929</b>	<b>4,868,059</b>	<b>321,390</b>
OPWC Loans:					
2008 Adams Street Sewer Improvements Loan - 0%	143,257	0	9,453	133,804	9,453
2008 Adams Street Water Improvements Loan - 0%	140,206	0	9,251	130,955	9,251
2011 Water Booster Station Improvement Loan - 0%	18,333	0	666	17,667	667
2012 Water Treatment Plant Loan - 0%	700,000	0	23,333	676,667	23,334
<b>Total OPWC Loans</b>	<b>1,001,796</b>	<b>0</b>	<b>42,703</b>	<b>959,093</b>	<b>42,705</b>
Compensated Absences	66,432	16,208	5,109	77,531	23,471
Net Pension Liability - OPERS:					
Water	368,335	8,512	0	376,847	0
Sewer	310,783	7,183	0	317,966	0
<b>Total Net Pension Liability - OPERS</b>	<b>679,118</b>	<b>15,695</b>	<b>0</b>	<b>694,813</b>	<b>0</b>
<b>Total Business-Type Activities</b>	<b>\$6,845,689</b>	<b>\$116,548</b>	<b>\$362,741</b>	<b>\$6,599,496</b>	<b>\$387,566</b>

The 2007 OWDA Adams Street Improvement Loan, authorized for \$43,599, was used to finance street improvements, and will be repaid through Gas and Motor Vehicle License Tax revenue in the Street Construction and Maintenance Special Revenue Fund, and charges for services revenue in the Water and Sewer Enterprise Funds..

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

Principal requirements to retire the OWDA Adams Street Improvement Loan liability at December 31, 2015, are as follows:

Year Ended December 31,	Principal	Interest	Total
2016	\$2,712	\$783	\$3,495
2017	2,766	729	3,495
2018	2,822	673	3,495
2019	2,878	616	3,494
2020	2,936	558	3,494
2021-2025	15,591	1,882	17,473
2026-2028	10,127	358	10,485
	<u>\$39,832</u>	<u>\$5,599</u>	<u>\$45,431</u>

The 2008 OPWC Adams Street Improvement Loan, in the amount of \$30,332, was used to finance street improvements and will be repaid through Gas and Motor Vehicle License Tax revenue in the Street Construction and Maintenance Special Revenue Fund.

Principal requirements to retire the OPWC Adams Street Improvement Loan liability at December 31, 2015, are as follows:

Year Ended December 31,	Principal
2016	\$1,517
2017	1,517
2018	1,517
2019	1,517
2020	1,517
2021-2025	7,584
2026-2030	6,300
	<u>\$21,469</u>

The 2014 OPWC Jefferson and Watkins Streets Improvements Loan, issued in the amount of \$696,970, is being used to finance street improvements. The loan activity is reflected in the Street Construction and Maintenance Special Revenue Fund which received the proceeds.

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

Principal requirements to retire the OPWC Jefferson and Watkins Streets Improvements Loan liability at December 31, 2015, are as follows:

Year Ended December 31,	Principal
2016	\$27,879
2017	27,879
2018	27,879
2019	27,878
2020	27,879
2021-2025	139,394
2026-2030	139,394
2031-2035	139,394
2036-2040	125,455
	<u>\$683,031</u>

The Police and Fire Pension liability is paid from general property tax revenues from the General Fund. The pension liability payments are reflected as program expenditures.

Principal and interest requirements to retire the Police and Fire Pension liability at December 31, 2015, are as follows:

Year Ended December 31,	Principal	Interest	Total
2016	\$2,096	\$2,605	\$4,701
2017	2,187	2,515	4,702
2018	2,280	2,421	4,701
2019	2,378	2,323	4,701
2020	2,481	2,221	4,702
2021-2025	14,096	9,412	23,508
2026-2030	17,396	6,114	23,510
2031-2035	18,899	2,048	20,947
	<u>\$61,813</u>	<u>\$29,659</u>	<u>\$91,472</u>

Compensated absences for sick and vacation leave liabilities will be paid from the General Fund, the Street Levy Special Revenue Fund, and the Water and Sewer Enterprise Funds. Capital lease obligations are paid from general property tax revenues from the General Fund and Street Levy Special Revenue Fund.

The 1998 OWDA Sylvania Avenue Sewer Loan, originally obtained for \$479,200; the 2002 Sewer Digester Loan, originally obtained for \$947,127; and the 2002 OWDA State Route 33 Sewer Improvements Loan, originally obtained for \$290,971, represents amounts borrowed for the purpose of improving the sewer system and will be repaid from charges for services in the Sewer Enterprise Fund.

The 2002 OWDA Water Improvements Loan, authorized for \$265,000, was used to finance water plant expansions and improvements and will be repaid from charges for services in the Water Enterprise Fund.

The 2007 OWDA Adams Street Sewer Improvement Loan, authorized for \$282,023, is being used to finance sewer line extensions and improvements. The loan activity is reflected in the Sewer Enterprise Fund which received the proceeds and will repay the debt.

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

The 2007 OWDA Adams Street Water Improvement Loan, authorized for \$274,604, is being used to finance water line extensions and improvements. The loan activity is reflected in the Water Enterprise Fund which received the proceeds and will repay the debt.

The 2012 OWDA Water Treatment Plant Loan, authorized for \$4,563,943, is being used to finance the construction of a water treatment plant. The loan is being repaid from charges for services in the Water Enterprise Fund. The project is substantially complete, but has not been closed, and a final amortization schedule is not available at this time.

Principal and interest requirements to retire OWDA loan liabilities, with the exception of the 2012 OWDA Water Treatment Plan Loan, at December 31, 2015, are as follows:

Year Ended December 31,	Principal	Interest	Total
2016	\$129,621	\$17,605	\$147,226
2017	132,396	14,828	147,224
2018	117,847	11,991	129,838
2019	102,781	9,670	112,451
2020	104,959	7,492	112,451
2021-2025	228,333	14,107	242,440
2026-2030	57,388	2,025	59,413
	<u>\$873,325</u>	<u>\$77,718</u>	<u>\$951,043</u>

The 2008 OPWC Adams Street Sewer Improvement Loan, authorized for \$189,065, was used to finance sewer line extensions and improvements and will be repaid from charges for services in the Sewer Enterprise Fund.

The 2008 OPWC Adams Street Water Improvement Loan, authorized for \$185,021, was used to finance water line extensions and improvements and will be repaid from charges for services in the Water Enterprise Fund.

The 2011 OPWC Booster Station Loan, issued for \$20,000, was used to finance the construction of a new water booster station and will be repaid from charges for services in the Water Enterprise Fund.

The 2012 OPWC Water Treatment Plant Loan, issued for \$700,000, was used to finance the construction of a new water treatment plant and will be repaid from charges for services in the Water Enterprise Fund.

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

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Principal requirements to retire OPWC Loan liability at December 31, 2015, are as follows

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>
2016	\$42,705
2017	42,704
2018	42,703
2019	42,705
2020	42,704
2021-2025	213,521
2026-2030	197,716
2031-2035	120,001
2036-2040	120,000
2041-2044	94,334
	<u>\$959,093</u>

The City has pledged future sewer customer revenues to repay \$648,708 in outstanding sewer system OWDA loans obtained in 1998, 2002, and 2007. The loans are payable solely from sewer customer net revenues and are payable through 2030. 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 \$701,410. Principal and interest payments for the current year were \$121,202, net revenues were \$150,110 and total revenues were \$990,025.

The City has pledged future water customer revenues to repay \$4,219,351 in outstanding water system OWDA loans obtained in 2002, 2007, 2010, and 2012. The loans are payable solely from water customer net revenues and are payable through 2030. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require more than 100 percent of net revenues. The total principal and interest remaining to be paid on the loan is \$4,244,367. Principal and interest payments for the current year were \$303,491, net revenues were (\$54,837) and total revenues were \$1,001,939.

The City's overall legal debt margin was \$4,372,302 at December 31, 2015.

**Note 15 – Interfund Balances and Transfers**

**A. Balances**

Interfund Receivable and Interfund Payable balances at December 31, 2015, consisted of an interfund receivable to the General Fund and an interfund payable from the Natureworks Grant Special Revenue Fund. The advance from the General Fund to the Natureworks Grant Special Revenue Fund is due to timing differences with a reimbursement-basis grant. This advance will all be repaid in 2016.

**B. Transfers**

A transfer was made from the Parking Meters Enterprise Fund to the General Fund in the amount of \$43,672. This transfer was used to close out the balance of the Parking Meters Enterprise Fund and transfer operations of the fund to the General Fund. The transfer was made in compliance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

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

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**Note 16 - Jointly Governed Organizations**

**A. Athens County Regional Planning Commission**

The Athens County Regional Planning Commission was formed to influence favorably the future economic, physical, and social development of Athens County. Membership is composed of the three Athens County Commissioners, one representative from each of the participating municipalities, including the City of Nelsonville, and one representative for every five thousand County residents appointed by the County Commissioners. The Commission is not dependent upon the City of Nelsonville for its continued existence. In 2015, the City did not make any contributions to the Commission.

**B. Athens County Economic Development Council**

The Athens County Economic Development Council was formed to promote economic development in Athens County through the initiation, promotion, and the development of support programs that assists individuals and business in establishing, retaining, expanding, and locating in Athens County. Membership is composed of representatives from the City of Nelsonville, the City of Athens, the Athens County Commission, Ohio University, Hocking College, the Athens County Port Authority, and the Athens County Community Improvement Corporation. The Council is not dependent on the City of Nelsonville for its continued existence. In 2015, the City made \$10,000 in contributions to the Council.

**Note 17 - Insurance Purchasing Pool**

The City is a participant in the Ohio Municipal League Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayor's, two council members, three administrators, three finance officers, and three law directors which are voted on by the members for staggered two year terms. The Executive Director of the Ohio Municipal League serves as coordinator of the Program. Each year, the participants pay an enrollment fee to the Program to cover the costs of administering the Program.

**Note 18 - Contingent Liabilities**

**A. Grants**

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

**B. Litigation**

The City of Nelsonville is not currently party to pending litigation proceedings seeking damages or injunctive relief as confirmed by the City Law Director.



**City of Nelsonville, 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	0.0097640%	0.0097640%
City's Proportionate Share of the Net Pension Liability	\$1,177,648	\$1,151,048
City's Covered-Employee Payroll	\$1,197,072	\$1,245,548
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	98.38%	92.41%
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 Nelsonville, 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)*

	<u>2014</u>	<u>2013</u>
City's Proportion of the Net Pension Liability	0.0254689%	0.0254689%
City's Proportionate Share of the Net Pension Liability	\$1,319,395	\$1,240,416
City's Covered-Employee Payroll	\$525,358	\$519,585
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	251.14%	238.73%
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 Nelsonville, 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	\$144,543	\$143,649	\$161,921
Contributions in Relation to the Contractually Required Contribution	<u>(144,543)</u>	<u>(143,649)</u>	<u>(161,921)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,204,525	\$1,197,072	\$1,245,548
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

**City of Nelsonville, 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	\$104,598	\$106,586	\$88,724	\$81,209
Contributions in Relation to the Contractually Required Contribution	<u>(104,598)</u>	<u>(106,586)</u>	<u>(88,724)</u>	<u>(81,209)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$520,737	\$525,358	\$519,585	\$557,508
Contributions as a Percentage of Covered-Employee Payroll:	20.09%	20.29%	17.08%	14.57%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$78,896	\$66,114	\$63,167	\$65,831	\$57,786	\$43,650
<u>(78,896)</u>	<u>(66,114)</u>	<u>(63,167)</u>	<u>(65,831)</u>	<u>(57,786)</u>	<u>(43,650)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$557,745	\$474,107	\$452,148	\$461,533	\$394,257	\$334,125
14.15%	13.94%	13.97%	14.26%	14.66%	13.06%

**Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards***

City of Nelsonville  
Athens County  
211 Lake Hope Drive  
Nelsonville, Ohio 45764

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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Nelsonville, Athens 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 August 24, 2016.

**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 be prevent or detect and timely correct a material misstatements 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 weakness or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2015-001 to be a significant deficiency.

Members of Council  
City of Nelsonville, Athens County  
Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Required by  
Government Auditing Standards

**Compliance and Other Matters**

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

**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 in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.  
Chillicothe, Ohio

August 24, 2016

**City of Nelsonville, Ohio**  
*Schedule of Findings*  
*For the Year Ended December 31, 2015*

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

***Finding Number 2015-001***

**Significant Deficiency**

The City should establish policies and procedures to govern activities of the City, ensure uniformity in treatment, and help ensure compliance with laws and regulations. Policies should be designed to provide outlines for acceptance practices. A policy and procedure manual should include policies relating to purchasing, payroll, and receipt handling, etc.

Most governmental entities have the authority to provide government-owned vehicles and equipment (e.g., computers, internet and phone usage, etc.) for the use by authorized users. The use of these items should be specified in a policy the City's Council adopts. This policy should, at minimum, identify authorized users, guidelines for allowable use, method of reimbursement (if personal use is allowed), specific unallowable users, reporting, monitoring of use by appropriate level of management, and other guidelines the legislative body deems appropriate.

The City should consider adopting policies and procedures addressing the purchase and use of the bulk fuel. This policy should identify who may use the fuel and under what condition. The policy should also identify documentation required to provide internal controls for fuel usage (i.e., sheet documenting employee, vehicle, date, mileage and gallons dispensed). Finally, the policy should identify person or persons responsible for monitoring the process and reviewing documentation (i.e., gallons dispensed versus gallons purchased).

Adoption of such a policy will assist the City in reducing unnecessary liability and the risk of fraud and theft inherent with these activities.

No formally approved policy or procedure manual was in place during 2015 governing standard procedures, purchases of bulk fuel and use of government owned vehicles or equipment. Lack of the required policies may result in:

- Questions about proper processes and irregularities in operations;
- Unauthorized access to equipment causing unnecessary liability to the City;
- Misuse or misappropriation of public monies pertaining to purchase of bulk fuel.

The City Council should approve a formal policy and procedure manual to include the recommended elements.

**Officials' Response:** The City will inquire of other municipalities of their policies and procedures as a template, adopting these to meet the cities needs in policy. Throughout the year, policies and procedures will be revised and/or added to meet the needs in all depts. At such time, the City Manager and the Auditor will present new and/or revised policies and procedures to the City Council Judiciary Committee for approval. This would be to include such topics as well as those mentioned in this report (bulk fuel, etc). The establishment of these policies and procedures will ensure uniformity in treatment, and help ensure compliance with laws and regulations.



**City of Nelsonville, Ohio**  
*Schedule of Prior Audit Findings*  
 For the Year Ended December 31, 2015

<b>Finding Number</b>	<b>Description</b>	<b>Status</b>	<b>Comments</b>
	<i>Government Auditing Standards:</i>		
2014-001	Total appropriations exceeded total estimated resources.	Corrected	N/A
2014-002	Budgeted receipts exceeded receipts recorded in the City's accounting system.	Corrected	N/A
2014-003	Accurate monthly bank reconciliations.	Corrected	N/A
2014-004	Retiree/rehire payout.	Corrected	N/A
2014-005	Formal policy and procedures for bulk fuel and use of government owned vehicles or equipment.	Not Corrected	Reissued as Finding 2015-001

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# Dave Yost • Auditor of State

**CITY OF NELSONVILLE**

**ATHENS 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**